Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

INTEREST RATE ON DISASTER LOANS

HEARING

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE

EIGHTY-FOURTH CONGRESS

FIRST SESSION

ON

S. 1755 and S. 1765

BILLS TO AMEND THE ACT OF APRIL 6, 1949, AS AMENDED, AND THE ACT OF AUGUST 31, 1954, SO AS TO PROVIDE THAT THE RATE OF INTEREST ON CERTAIN LOANS MADE UNDER SUCH ACTS SHALL NOT EXCEED 3 PERCENT PER ANNUM

MAY 6, 1955

Printed for the use of the Committee on Agriculture and Forestry

UNITED STATES
GOVERNMENT PRINTING OFFICE
62456 WASHINGTON : 1955

COMMITTEE ON AGRICULTURE AND FORESTRY

ALLEN J. ELLENDER, Louisiana, *Chairman*

OLIN D. JOHNSTON, South Carolina	GEORGE D. AIKEN, Vermont
SPESSARD L. HOLLAND, Florida	MILTON R. YOUNG, North Dakota
CLINTON P. ANDERSON, New Mexico	EDWARD J. THYE, Minnesota
JAMES O. EASTLAND, Mississippi	BOURKE B. HICKENLOOPER, Iowa
EARLE C. CLEMENTS, Kentucky	KARL E. MUNDT, South Dakota
HUBERT H. HUMPHREY, Minnesota	JOHN J. WILLIAMS, Delaware
W. KERR SCOTT, North Carolina	ANDREW F. SCHOEPPEL, Kansas

COTYS M. MOUSER, *Chief Clerk*

SUBCOMMITTEE ON INTEREST RATES

OLIN D. JOHNSTON, South Carolina, *Chairman*

CLINTON P. ANDERSON, New Mexico	KARL E. MUNDT, South Dakota
W. KERR SCOTT, North Carolina	ANDREW F. SCHOEPPEL, Kansas

CONTENTS

Statement of—	Page
Halvorson, Lloyd C., economist, National Grange	22
Lynn, John C., legislative director, American Farm Bureau Federation	14
McLeaish, Robert B., Administrator, Farmers Home Administration, United States Department of Agriculture	2
Schmidt, Lail W., member of the board of directors, Rocky Mountain Farmers Union, Lamar, Colo., representing the National Farmers Union	16
Scott, Kenneth L., Director, Agricultural Credit Services, United States Department of Agriculture	2
Smith, Henry C., Deputy Administrator, Farmers Home Administration, United States Department of Agriculture	2
Thurmond, Hon. Strom, a United States Senator from the State of South Carolina	20
Miscellaneous documents:	
S. 1755 and S. 1764, 84th Congress	2
Statement filed by John C. Lynn, legislative director, American Farm Bureau Federation	14

INTEREST RATE ON DISASTER LOANS

FRIDAY, MAY 6, 1955

UNITED STATES SENATE,
SUBCOMMITTEE ON INTEREST RATES OF THE
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The subcommittee met, pursuant to call, at 10 a. m., in room 324, Senate Office Building, Senator Olin D. Johnston (chairman of the subcommittee) presiding.

Present: Senators Johnston (presiding), Scott, Mundt, and Schoeppel.

Senator JOHNSTON. The committee will come to order.

I have a statement here that I want to make just preceding this hearing.

Effective January 3, 1955, the interest rate on emergency loans made by the Farmers' Home Administration pursuant to sections 2 (a) and (b) of Public Law 38, 81st Congress, as amended by Public Law 115, 83d Congress, and on those made pursuant to Public Law 727, 83d Congress, was established at 5 percent. This represented an increase in interest rates, which the farmer must pay, from 3 percent to 5 percent.

The purpose of our hearings today is (1) to determine why the interest rates were raised at all, and especially at that particular time; (2) to determine the wisdom of rolling back the interest rate to 3 percent in accordance with the bills before us; and (3) to determine the position of the Department of Agriculture—to find out whether it will oppose the rollback of these rates to 3 percent; and (4) to seek the views and opinions of our major farm organizations on the wisdom of the legislation.

Now, I want to say, very frankly, that in view of the fact that a large part of the loans affected by this interest rate are emergency loans, I feel that it was the wrong time to raise the interest rate to 5 percent. I don't know whether an increase would ever have been justified, but if it could have been justified at some other time, under some other conditions, it certainly does not seem to have been justified in January of this year. It was raised at a time when millions of our farmers were suffering the most—suffering from farm losses due to the drought and other conditions, as well as suffering from the high prices of farming—high prices of fertilizer, high prices of farm tools and equipment, high prices of labor, high prices of fuel, high prices of seed, and so forth.

Therefore, this increase in interest rates seems to me to be just another burden put on the backs of the farmer.

Thousands of farmers in the drought areas of the Southwest, as well as the farmers in South Carolina and the Southeast who have been hurt by the freeze conditions, are looking to the Congress to

keep down their costs and I, for one, feel we should start right here with interest rates.

Without objection, the two bills, S. 1755 and S. 1764, will be inserted in the record at this point.

(The bills referred to are as follows:)

[S. 1755 and S. 1764, 84th Cong., 1st sess.]

A BILL To amend the Act of April 6, 1949, as amended, and the Act of August 31, 1954, so as to provide that the rate of interest on certain loans made under such Acts shall not exceed 3 per centum per annum

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (a) of section 2 of the Act of April 6, 1949, as amended (63 Stat. 43; 12 U. S. C., sec. 1148a–2 (a)), is amended by striking out the last sentence of such subsection and inserting in lieu thereof the following: "Such loans shall be made at such rate of interest, not to exceed 3 per centum per annum, and on such general terms and conditions as the Secretary shall prescribe for such area or region.".

SEC. 2. Subsection (b) of section 2 of the Act of April 6, 1949, as amended (12 U. S. C., sec. 1148a–2 (b)), is amended by striking out the last sentence of such subsection and inserting in lieu thereof the following: "Such loans shall be made at such rate of interest, not to exceed 3 per centum per annum, and on such general terms as the Secretary shall prescribe for such area.".

SEC. 3. Clause (4) of section 2 of the Act entitled "An Act to provide emergency credit", approved August 31, 1954 (68 Stat. 999), is amended to read as follows: "be made at such rate of interest, not to exceed 3 per centum per annum, and on such terms and conditions as the Secretary shall prescribe for such area or areas; and".

Senator JOHNSTON. Our first witness this morning is Mr. Kenneth L. Scott, Director of Agricultural Credit Services of the Department of Agriculture. Mr. Scott will, I am certain, give us the views and policy opinions of the Department. I hope that he will also give us some suggestions for cutting down these high rigid costs which face our farmers.

Mr. Scott, will you please come forward. Identify yourself for the record and proceed.

STATEMENTS OF KENNETH L. SCOTT, DIRECTOR, AGRICULTURAL CREDIT SERVICES; ROBERT B. McLEAISH, ADMINISTRATOR; AND HENRY C. SMITH, DEPUTY ADMINISTRATOR, FARMERS HOME ADMINISTRATION, UNITED STATES DEPARTMENT OF AGRICULTURE

Mr. SCOTT. I am Kenneth Scott, director of the credit services of the Department of Agriculture.

Mr. Chairman, we recognize that these bills which this committee has before it for consideration this morning were introduced as a result of our raising the interest rate on certain emergency loans made by the Farmers Home Administration. May I say that we sincerely appreciate this opportunity to explain and discuss with the committee our reasons for making this increase in rate.

This change of rate became effective January 3, 1955, on emergency loans made pursuant to sections 2 (a) and (b) of Public Law 38, 81st Congress, as amended by Public Law 115, 83d Congress, and on loans made pursuant to Public Law 727, 83d Congress. This question was under careful consideration in the Department for nearly 2 years before we finally decided that the rate should be increased. Our reasons for making this change of rate were primarily twofold: First,

there was evidence that the 3 percent interest rate has resulted in a competitive situation which we believe to be contrary to the intent of the Congress; and, secondly, the Congress has established a 5 percent rate for 2 other somewhat comparable types of loans made by the Farmers Home Administration.

Experience in making these emergency loans showed that the 3 percent interest rate was encouraging some producers, often large operators, to resort to various means to convince the county committees of the Farmers Home Administration that they were eligible for this emergency credit. While these county committees generally are doing a commendable job in carrying out their responsibilities, it was evident that some of the committees were finding it very difficult to determine the real facts in the handling of some of these loan applications. The resulting abuses meant that this emergency loan was competitive with local banks and cooperative lending institutions from which these particular farmers should be obtaining their required credit. Knowing that the Congress does not want the lending activities of the Farmers Home Administration to be competitive with private or cooperative lenders, it is the firm policy of the Department to avoid such competition.

It is well known that established lenders from time to time comply with the request of a borrower that they assist in qualifying him for an emergency loan from the Farmers Home Administration which carries a low interest rate. This is usually explained by their unwillingness to offend a customer whose business they value. When the Farmers Home Administration receives the advice that the private lender cannot make the loan, that, of course, carries a great deal of weight in their consideration of the application. There is no question but that the 3-percent interest rate made the loans program competitive with other lenders.

During our study of this problem we were mindful of actions taken by the Congress in setting the rate of interest on other types of Farmers Home Administration loans. Public Law 731 of the 79th Congress, approved on August 14, 1946, authorized the making of production and subsistence loans at a rate of 5 percent. Public Law 115 of the 83d Congress, approved July 14, 1953, authorized the making of special livestock loans as an emergency measure and established a rate of 5 percent. The increase in rate from 3 percent to 5 percent on production and economic loans resulted in a uniform rate on all emergency type loans as well as the regular loans for operating funds made by the Farmers Home Administration.

The regulation announcing this increase in interest rate was filed in the Federal Register as required by law and an appropriate announcement also was made to various offices of the Farmers Home Administration. Through inadvertence there was not a press release fully explaining the action. There should have been such a public announcement at the time. It is a firm policy of the Department to fully publicize all important actions and developments.

Interest on borrowed funds is an important cost to all farmers and especially so to those who are suffering from drought and other emergency conditions. There have been more than 43,000 production and economic emergency loans closed during the current fiscal year for a total of more than $60 million. Therefore, the average size loan is

about $1,400. The 2 percent increase in rate on the average would be about $28 per annum for an average loan.

These loan programs are being administered in a very sympathetic and helpful manner as we believe was the intent of the Congress when this authority was granted. While we know that the interest cost is of real importance to these farmers we believe that their welfare is being served in the most important and effective way when they receive loans to meet their necessary operating costs and are allowed what time they require to repay the debt in an orderly way from future income. This sympathetic and understanding type of credit service is being provided by the Farmers Home Administration. It is assuring thousands of farmers of the Government's faith in their ability to overcome serious problems, enabling them to stay on the farms and continue their farming business.

Mr. Chairman, Mr. McLeaish, the Administrator of the Farmers Home Administration, and members of his staff, are here with me this morning, and we would be glad to furnish you any additional information we can on this question, which we know is very important.

Senator SCOTT. Mr. Chairman, I would like to ask Mr. Scott if the record of payment has not been very satisfactory.

Mr. SCOTT. The record of payment?

Senator SCOTT. Yes, sir.

Mr. SCOTT. Yes, Senator.

Senator SCOTT. It has been in North Carolina over a long period of years.

Mr. SCOTT. We are proud of the repayment record which farmers have made on all types of loans of the Farmers Home Administration. Naturally, there has been some slowing down in the rate of repayment in some of the areas most acutely affected by drought. But generally these repayments have been very satisfactory.

Senator SCOTT. As a matter of fact, it goes way back to around 1930 on the seed loans. I believe you called it that at that time.

Mr. SCOTT. Yes, sir.

Senator SCOTT. We in North Carolina have the lowest per capita income, which we do not like to advertise and do not like to brag about. I would not say we have the lowest of any State in the Union, but certainly we are right at the top of the list on the number of people that are affected. It seems to me that we should be trying to help these folks. You are cutting down on the acreage of crops that we pay off loans with, because you have got too much surplus of this and the other, and we know that there are impediments in the law now to forbid the movement of crops—in foreign trade, especially. If you put impediments all around the thing, you are just going to destroy the program, it appears to me. And it looks to me that where we try to help people the Department of Agriculture finds that it is not advisable to do so.

I would just like to find some avenue where there is a disposition to help folks. Now, if a man would get out of the way because somebody else does not like what he is doing, you will find, sure enough wherever he goes, there is always a barrier. There is always somebody somewhere. But it looks to me as if the Department of Agriculture has to take a firm stand. This situation may be so, and it may be right, but there is some disposition in the Department

of Agriculture to force them off the land. That is the way it would appear.

Well, where are you going to force them to? You have unemployment all the way around. You have disaster all the way around, and everything is going up in the way of costs to the farmer who is trying to live. He is just trying to live now and get by with what he can.

I can see, from a banking standpoint, why you want to do these things, but I cannot see it from the standpoint of really doing what the President said—helping these distressed people.

Now, in the memos that have come down from the President, right on down to the Secretary of Agriculture—the papers are full of it—what you are going to do is to help these handicapped people. I say "handicapped" in the sense of being able to survive under present farm conditions. But you are telling us one thing from the standpoint of the press and the public, and you are actually doing another. I do not put the two together.

Senator JOHNSTON. I notice here, too, you say:

> This question was under careful consideration in the Department for nearly 2 years before we finally decided that the rate should be increased.

In other words, it is a very debatable question as to whether you ought to raise it or not, according to that statement.

Mr. SCOTT. Yes, Mr. Chairman. That is certainly right. It was a close decision. As you pointed out, I mentioned in my statement that we debated this at great length. And if I might respond to Senator Scott's remarks, we certainly feel that the Farmers Home Administration is one of the agencies of the Department that is doing a great deal, Senator, to help keep these people on the land and help the folks that you just referred to in your remarks this morning.

Senator SCOTT. Mr. Chairman, I would like to concur in that statement. They have done a lot, and why they should take a notion to sin right now, I do not understand.

Mr. SCOTT. These emergency loan authorities particularly are being administered in a very sympathetic manner. Just a few days ago in my office, Mr. McLeaish and members of his staff and myself discussed this matter with two Members of the Congress from a State in the drought area. Mr. McLeaish explained that in this particular State—and it is only an example, Senator, of the way this program is administered and the way it is working—they had been making these emergency loans for a period of 3 years, and each year the crops did not materialize. The credit was put up each year to take care of the necessary costs. It is well known that the principal factor that they look to is whether they have a good man out there and a good farm family that wants to stay on the land, and have a record of being the kind of folks that we all want to see and help keep on the farms.

But they are staying right in there, giving them service, and we think that that is exactly the type of service that the Congress wanted us to give.

Now, this rate question, as I frankly say, we recognized to be a very debatable point, but we were impressed with the examples of where it was actually working out in a competitive way. We are very anxious to keep the Farmers Home Administration in the field that the Congress laid out for it, and not let it get competitive.

Senator SCOTT. Now, that could be so, but on the other hand, you are just bound, it seems to me, to compel more folks to leave the farm. I do not mean you do all of them. Some of our people actually would starve to death before they would accept any handout, as they recognize it as such, by way of going to the welfare agencies. I know that they would do it. They have done it. And we have found it true in individual cases, and you have, too.

But what is the use of holding to a rigid scale here of interest rates, running it up about 66 percent—what is the use of that? As a good banker, you might say that this thing is financed and self-sustaining, and you want to be able to tell the world that you are a good banking department in the Department of Agriculture, which you have been. I do not deny that. But what is the use of forcing more people to make pleas—which we are doing over here and in the House—for more money for school-lunch programs?

They know that more people in these areas are going to be forced into hardship. If we do not have the school-lunch program, many of those children will never have a square meal. Maybe that is what the Department wants. But it does not jibe with what the President is saying. It does not jibe with what Mr. Benson is saying, and it does not jibe with the thinking in the Congress, as I see it, and I say emphatically that I think we are making a mistake in sticking to an increased rate here when we have more or less economic disaster for so many of our people.

The Department of Agriculture is not responsible for the drought, although we do not know how much the Department of Agriculture has to do with it, or anybody, including the Lord. And I assume the Lord is still in command. But I just do not like it, and frankly I will tell you so.

Senator JOHNSTON. Mr. Scott, is it not also true that in the Government they always take into consideration the people that they are lending to, or try to? Is that not right?

Mr. SCOTT. That is right; surely.

Senator JOHNSTON. Now, back in the thirties when the condition of the farmer was very bad, you will find that the Government lent to the farmers even to purchase the land of the farm at a very low rate of interest. I think the farm that I bought was as low as 3½ percent on a long-term loan there. They did lend money that low; did they not?

Mr. SCOTT. That is right.

Senator JOHNSTON. Because of the condition of the country and the farmers at that time.

Then the rural electrification came along, and in order to raise the conditions on the farms, the living conditions, and in order to get rural electrification, they let the people build rural electrification lines very cheap. What did they charge for rural electrification lines, or what are they paying on most of the loans?

Mr. SCOTT. Two percent.

Senator JOHNSTON. Two percent?

Mr. SCOTT. Yes, sir.

Senator JOHNSTON. That is to try to help the conditions on the farm.

Now, is it not true that these loans at this particular time are trying to help the bad condition that we find some of the farmers in?

Mr. SCOTT. You are entirely right; yes, sir.

Senator JOHNSTON. Has the Senator from Kansas any questions?

Senator SCHOEPPEL. I am sorry that I was not here at the beginning. I was tied up in a conference that had been previously arranged, and these men came in from quite some distance. I ask your indulgence with reference to that.

Mr. Scott, the thing that alarmed me about this—I have just hurriedly scanned your statement, and I was not here to hear the previous questioning—but what surprises me is that it is almost coincidental with the current climatic calamity and all at once the Department raises the rates to this extent. I just cannot quite understand it.

You know, when difficulty hits, people need sympathetic understanding from commercial institutions as well as from governmental institutions to help them get over the hump, and this just adds another feature to this thing. It is misunderstood out in the field, it is misunderstood as reflected to us, as to the justification for it, coming particularly at this time.

Now, I note in your statement here you say you have been studying this thing for 2 years—approximately 2 years.

Mr. SCOTT. That is right, Senator.

Senator SCHOEPPEL. I have great respect for lending institutions on the commercial side out in the field, especially for business institutions. But I can remember out in my area when things began looking a little rough, how those fellows just pulled out like mallard ducks leaving a pond when somebody is shooting in the vicinity of that pond, and it is going to leave these people in kind of a bad spot in there.

Just what is the justification for jumping from 3 to 5 and not from 3 to 4, if you are going to take this in successive stages? I just cannot figure that out. It does not make any sense to me if our purpose is to be helpful in a time of emergency to the people out on these farms who, because of drought conditions, have to look for some kind of help to tide them over.

Senator JOHNSTON. I would like to add right there, too, as was brought out, these loans have been paid back with a very fine ratio; is that not true?

Mr. SCOTT. That is right, sir.

Senator SCHOEPPEL. I made a little investigation, or had it made for me. I was informed that the ratio of repayment of even the delinquences is very high. These people have been taking care of these loans. We are not going to lose—we have not lost, in the past, a lot of money on this thing. That just looked to me like an awfully big jump.

Now, it may be repetitious for me to raise the question here. It may have been raised before. But I would just be curious to know what, in the wisdom and judgment of those down in the Department, prompted that big jump; why they wanted to go all that way at once.

Mr. SCOTT. Senator, as I attempted to set forth in this statement, there are really just two points that were of major consideration here. We observed abuses of this 3 percent loan which amounted to competition with local lending institutions. We know the Congress does not want the Farmers Home Administration to be competitive. We know they do not want us to be making loans that the banks and cooperative lenders can be making.

The other point was that Congress fixed a 5 percent rate on the special livestock loans, an emergency type of loan, and the production

and subsistence loan. We concluded that if we were going to make a change, we had better bring the rate up in line with those actions. As I indicated earlier, we recognized that the increase was debatable.

I might say that this is one of the things that Mr. McLeaish and those of us in the Department have done to bring the program into what we honestly felt was in keeping with the intention of the Congress. We found that quite a number of loans had been made to people on the State and Federal payrolls, and I know that Members of Congress, learning about that, were shocked and disturbed about it, as we were.

Senator SCHOEPPEL. That is right. I remember that.

Mr. SCOTT. That was discontinued by regulation. Such loans are not made now. We think that was a mistake in the past, and we are attempting to direct these programs to the family-sized farm, as we think the Congress cut out this field for the Farmers Home Administration. And this rate competition is one of the things that seemed to us to be in quite a number of instances showing up in a way contrary to what we believed to be the wishes of the Congress.

Senator JOHNSTON. It is true that you do not make these loans if they can obtain the loan from any banking institution; is that not right?

Mr. SCOTT. That is right, sir; yes.

Senator JOHNSTON. As I understand it, you do not bitterly oppose this interest rate on these particular loans, but you just did it more or less to bring it in line with others; is that right?

Mr. SCOTT. We are anxious to be as helpful, I am sure the record will show, in the manner in which this program is being administered; that we are trying to an extreme to be helpful. I am sure we could bring before this committee examples that you would be highly pleased with the extent to which they are stepping right in in these real emergencies and staying with these good people where it is very evident that the payout depends entirely on the good faith which we believe exists on the part of these farm families and on a return to climatic conditions that will permit them to raise some crops. We believe that the Congress expected us to stay right in there and lose some money, if necessary, in getting done this job of helping them.

Senator JOHNSTON. Is there anything you would like to add?

Mr. MCLEAISH. No. I think Mr. Scott has covered the field very well, Senator.

Senator JOHNSTON. Any one of your aids?

Mr. SMITH. No, sir.

Mr. POLLARD. No, sir.

Senator JOHNSTON. Did you have any further questions?

Senator SCHOEPPEL. No, I have no further general questions about it.

Senator JOHNSTON. Did you have any questions?

Senator SCOTT. Senator, I would just like to remind them again that in North Carolina we have 91 counties out of 100 that are in the disaster loan area. If that is not disaster, what does get to be a disaster, except one of your atomic bombs or something like that?

I can see the difference between this and the FHA lending money to build houses and things like that. That is a different thing. But this is a question of existence. I think it is an entirely different situation so far as these farm loans are concerned, where a man just has got to make a crop. And I know the history over a period of years

of our folks on that, and I know that it has been well supervised, and the technical assistance that they give them has been fine, and I think the farmers have responded, and they have done everything they know how to do. I think it is a different situation here.

Senator JOHNSTON. For your information, Senator Mundt, we have under discussion now the loans, whether it be 3 percent or 5 percent.

Senator MUNDT. Thank you.

Senator SCOTT. That is all I have.

Senator JOHNSTON. Do you have any questions in regard to it?

Senator MUNDT. Just one. I would like to know for my own satisfaction why we made such a jump from 3 to 5. If it was necessary to increase it, I wonder why we did not find some place on the way up where we could have stopped.

Mr. MCLEAISH. Senator, I will answer that. Mr. Scott has covered it. Here we have on the books three types of loans that we are making in the areas that we are discussing. One is the production and subsistence loan, which Congress has set at 5 percent. The other is your livestock loan, which Congress has set at 5 percent. And in between is the emergency loan, which administratively the Department has set at 3 percent. Now, we find confusion amongst the borrowers themselves.

Here is a man who is a livestockman, but he says, "Now, why can't I get this emergency loan? It is an emergency to me, too."

The production and subsistence boy who lives in the disaster area is required by law to pay 5 percent. That frankly was a major consideration. And Mr. Pollard, who handles emergency loans, has had a lot of experience with it. So has Mr. Smith. He was production loan officer until he became deputy.

That was the main consideration. And then there was some evidence, maybe on my part it was an assumption, but I saw some rather large loans made on the books over the past years. I have had a number of people come in to pressure for some of these larger loans at a 3 percent rate. It would seem to indicate, and confirm what Mr. Scott has said, that there have been abuses or at least attempted abuses.

Now, you can take a county supervisor and county committee living out in the country. They are not big people. Often a pretty good sized operator comes to them, and perhaps has a letter from his banker or an indication from his banker that he will not make the kind of loan that we will make. There have been quite a number of pressures in that direction. So we made the change after reviewing that for some time. Frankly, it was not any desire on our part to hit the small farmer. The average loan is around, I think now, $1,100.

Mr. SMITH. Right.

Mr. MCLEAISH. Now, that means a difference of $22 a year to that man. We have to compare that against a man who wants $100,000. The difference to that man is $2,000. Frankly, when we already have 2 classes of farmers by law paying 5 percent, in our mind at least that justified the 5 percent for this part of our loan program which really represents a relatively small part of the loans we make.

We will make roughly $220 million of operating loans a year, and this type we are talking about here represents about $60 million. So

actually we felt we were bringing our loan rates up to the desires of Congress because of the other 2 loans set by statute at 5 percent.

Senator MUNDT. The $60 million is this 5 percent type loan?

Mr. MCLEAISH. No; $60 million is the 3 percent type.

Senator MUNDT. I mean, the kind I am talking about; the 3 to 5 shift.

Mr. MCLEAISH. That is the type we have discussed.

Senator MUNDT. Yes.

Mr. MCLEAISH. Now, of our operating loans, which represent approximately $220 million, only $60 million are affected.

Senator MUNDT. Are there clear-cut criteria, Bob, that exist, so that the fellow in the field can tell by looking at a loan that it clearly falls into one slot or the other; that is, that it clearly falls into the disaster type loan or the livestock loan, or is it sometimes kind of hard to tell where it belongs?

Mr. MCLEAISH. We feel that we do have pretty good criteria.

Now, on production and subsistence loans, we are limited to $7,000 for the first loan, with a total line of credit of $10,000. On the livestock loan, of course, there is no limit, but the criterion is that the applicant must be engaged in livestock production.

We have had cases where we have had the two types of loans made to the same man. Here is a man who has a livestock spread and who also has a farming operation. He gets one loan of 5 percent and another loan of 3 percent. We have had cases arising when production and subsistence loan money ran out. That is appropriated funds. We have made an applicant an initial loan of 5 percent. Then we ran out of production and subsistence loan money, and we made the same man a loan out of the emergency fund at 3 percent. His neighbor, who may have gotten in before the P. and S. money ran out, has his loan at 5 percent. He is wondering why he is paying 5 percent for all of his loan.

Those are some of the illustrations that led us to that decision.

Senator JOHNSTON. How long has this 3 percent been in operation?

Mr. MCLEAISH. Mr. Smith, will you answer that?

Mr. SMITH. The original Public Law 38 was enacted by the 81st Congress in April 1949. The rate was established at 3 percent by the Department at that time. The rate was changed to 5 percent by the Department on July 1, 1951, but was changed again to 3 percent on August 10, 1951, and has remained at that rate until January .5, 1953.

Senator MUNDT. Can you give us the motivating reasons for those changes?

Mr. SMITH. Yes, sir. The same reasons, I think, prevailed which are now being discussed here, that caused the change of interest rate from 3 to 5 percent in July 1951.

Senator JOHNSTON. When did they change it back?

Mr. SMITH. On August 10, 1951.

Senator JOHNSTON. Just a month later.

Mr. SMITH. Immediately following the change in interest rate on July 1, 1951, the Kansas-Missouri flood occurred, and the Department found that the Reconstruction Finance Corporation was making disaster or emergency loans available to urban residents at the 3 percent rate of interest, and in some instances forgiving any interest for the first 3 months of the loan. And because of that the Department felt

that the interest rates should be more in line with what was being charged to people in the urban areas.

Senator SCOTT. Mr. Chairman, I would like the record definitely to keep us two Scotts here perfectly identified. We both are good men, but we think different.

Mr. SCOTT. I am not sure, Senator, if I may say, that we are too far apart in our thinking.

Senator SCOTT. Just 2 percent.

Senator JOHNSTON. I will say this to the Department. I think by their hesitating 2 years before they could finally determine, certainly there was a question in their mind what to do in regard to it.

Mr. SCOTT. That is correct, sir.

Senator JOHNSTON. I think he acknowledges that. That big question mark, I think they acknowledge.

Mr. MCLEAISH. Senator, it is always hard to think about raising the interest rate on any loans. I am sure you realize that.

Senator JOHNSTON. I know that.

Mr. SCOTT. We are endeavoring, Mr. Chairman and members of the committee, to the very best of our ability to keep in line with the authority and the intentions of Congress on this. We say in all sincerity that we thought we were acting in that respect in making this change.

Mr. MCLEAISH. If you tell us it is to be 3 percent, that is what we will do.

Senator JOHNSTON. So you are not bitterly opposed to the bill?

Mr. MCLEAISH. No, not bitterly opposed. In other words, what we want is guidance from the Congress. It will be a little bit more administratively difficult, but if you put it down in black and white and say, "Do this," I think we will go ahead and do it. In fact, I know we will go ahead and do it.

Senator SCHOEPPEL. Mr. Chairman, I am fully aware of the difficulties that developed in the field, but when we talk about this thing called pressure, that again goes back to a proper analysis of a lot of the factors that are entering into this from the field level. If a man comes in and wants a $100,000 loan, it ought to be quite apparent, as I know it would be to me in that country out there, to know whether Mr. X or Mr. Y or Mr. Z out there is trying to fudge on me.

But when we say that because of the pressures from the field abuses have developed, I think that could be chargeable to administrative weaknesses out there, over as against the great need in the emergency areas that has been developing for the last 3 years. And then to clip it off right at a time when some of these people have had 2 full emergency years and going into the third one is misunderstood.

I just feel that from the field standpoint they have not exercised the proper discernment. They could have been fully informed as to the basic background of these individuals.

My sole thought is to protect that lower segment of the agricultural economy out there. With all these attendant cutbacks that we have had, in acreage as well as other things, they are in a different category from fellows who are in these 5-percent cattle loans. These fellows going into these 5-percent cattle loans out there went in with their eyes open. It is almost a seasonable situation there.

You have a greater degree of liquidation with, sure, some attendant damages that would follow to the fellow who overbought and over-

reached, but there was hardly any banker, commercially speaking, that would not go in and finance a cattle operation, and the first thing he looked at was what? Well, has the fellow got proper shelter? Has he got proper feed? Has he got proper range areas to support these cattle upon which we want to place these loans?

But the little fellow out there who is cutback on his wheat, cutback on his other things, with drought moving in on him, we have made it possible for the field force to put his loan on a strictly emergency basis, and then we come in here and boom, up it goes 2 percent. They just cannot understand. In eastern Colorado—I do not need to mention that to you gentlemen as you have been out there, some of you yourselves, or your secretaries have been out there—down in the Panhandle in Texas, in Oklahoma, the western section of the United States, and in that great area where the drought was, and down in Senator Scott's area, over in Missouri, in Arkansas and those other places with that drought creeping in there, I just feel that it was the wrong time to increase this interest rate, because of the climatic conditions that have contributed tremendously to the need for loans. They are going to hurt a lot of small people out there who are going to say, "Well, we have been led to believe we could do this, and then other folks had it, and now when an emergency is really here, we have to pay a higher price."

That is the reason we are getting a lot of letters. I had a committee of five come in here and talk to me last week, and several weeks ago there was another group that came in. They came in and immediately said, "Well, what is the Department trying to do? Are they just going in here now because we are down, and fearful that we won't pay our debts and won't pay back?"

I mention those things because that is the practical side of the thing that we get, as these people come in here. It has been drawn to my attention that the repayment rate has been excellent.

I do not know. I just feel that we have chosen a most inappropriate time to do it. I would like to have seen it go up 1 percent rather than 2 percent right off the reel. Maybe that would have cushioned the blow, but with the added admonition that down the line in a year or two maybe this was going to be raised to 5 percent is hitting them in the belt, and this is pretty rough, at least on a few of them.

Senator Scott. Especially when they haven't got much under the belt.

Senator Schoeppel. Well, their resources are getting pretty low, I will tell you that for sure. The outlook right now is not good.

Senator Mundt. Mr. Chairman.

Senator Johnston. The Senator from South Dakota.

Senator Mundt. I wonder if a better way to approach your problem, Bob, in the field would not be to get out criteria which are a little more clear to your field people so that they know definitely when a loan is a disaster-type loan and when it is a cattle-type loan and when it is, we will call it, a subsistence type. Is that the other type?

Mr. McLeaish. Production and subsistence.

Senator Mundt. I have noticed ever since the early thirties down here that there is a curious feature about the element of water when it comes to be associated with disaster. Nobody questions the fact

that water produces disaster when there is a flood. As Mr. Smith said, when they had floods in Missouri, we rush in, and we say, "We will give you the money for 2 percent, and if you haven't got 2 percent, we will give you the money for no percent, and if that won't help, we will give you the money and a bonus on top of it."

When a flood comes, the country acts immediately, so that when you have a plethora of water, there is no problem as far as bringing into focus the power of the Government to help the people. And that is good. But when there is an absence of water and you have drought and dust storms, which is just as disastrous to John American living in the area that is affected, it is much more difficult to bring about this feeling of disaster, which is just as direct and just as significant as when they are flooded out.

And I would think that if a disaster loan is what it is said it is—If a disaster loan is really to help somebody who is really in difficulty through no fault of his own, through an act of God or an act of Congress or an act of war, or whatever it is, if he is in difficulty and it is a disaster loan, 3 percent is a pretty good rate of interest for him to be paying.

Now, if it is an expansion loan or a commercial loan, as Senator Schoeppel pointed out, when here is a fellow who has got a pretty good spread and he wants to make it bigger and he is going to speculate, 5 percent is a fair enough rate of interest for him, because he is looking forward to an expanded opportunity of more income in the typical American way of life; we are for him, and the banks cannot quite finance him. So we come in there and make it possible for him to venture a little more happily.

But if it is a disaster loan, then I think 3 percent is enough. And if you change it, I do not believe we ought to change it in a niggardly sort of fashion and jump from 5 percent to 4¾ percent. I think if you are going to change it, you had better go back to 3 percent in your category of disaster loans, which I think probably we ought to do today, because if a disaster loan is meant for these people who are really hit in the drought region, it is pretty serious.

I speak as one who lives in a State where we had a drought 20 years ago and we have not had one for a long time, and I hope we are not going to have one. But I know that we have it in western Kansas and western Nebraska, and down in your good State of Texas, and Oklahoma.

Mr. McLeaish. I have lived with the Texas one myself.

Senator Mundt. It is a pretty disastrous business, and the fellow in the drought on the farm is in just as serious a shape as the fellow who is being flooded; only he gets it by installment and by stages, but the end result is the same, when somebody comes in and needs assistance.

Senator Johnston. Are there any other questions?

Senator Schoeppel. No further questions.

Senator Johnston. Is there any other statement that you would like to make to clarify anything that has been said?

Mr. McLeaish. Not as far as I am concerned.

Senator Johnston. We certainly thank you for coming and appreciate your coming before us to make this statement.

62456—55——3

Mr. Scott. Mr. Chairman and members of the committee, I want to thank you for this opportunity. We do appreciate very much this privilege of discussing this question with the committee.

Senator Johnston. We want to thank you for the openness and freedom with which you did discuss it.

According to our list here we are going to make a change and call the last man, Mr. John Lynn, because this party tells me that he must leave, and we will call him now in order for him to come before us.

Mr. John C. Lynn.

STATEMENT OF JOHN C. LYNN, LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION

Mr. Lynn. I appreciate that very much, Mr. Chairman.

In order to save the time of the committee, I would like to file our statement for the record and just simply say that we would like to see this action of the Department of Agriculture changed so that the disaster loans are made at 3 percent.

We do have a further recommendation to make, and I will just read that, if I may, on page 2.

Senator Johnston. Proceed.

Mr. Lynn. We recommend that the interest rate on emergency loans in disaster areas be at 3 percent for the year the loan is made and for 1 additional year—by that we mean 2 years, 1 renewal—and if the loan is renewed or extended for any additional period that the interest rate be at the then current applicable rate for regular production and subsistence loans made by the Farmers Home Administration, which is 5 percent.

Now, the purpose of this is to try to avoid the abuses that have been reported with regard to these loans, and if a farmer has a regular production and subsistence loan and does qualify for one of these other loans, he will get his emergency loan, so to speak, at the 3-percent rate, but to serve notice upon him to encourage him to pay this off, because at the third renewal the interest rate will go to 5 percent.

I think that is the key to our recommendation. We recommend that these disaster loans be at 3 percent with that proviso.

Statement Filed by John C. Lynn, Legislative Director, American Farm Bureau Federation

The American Farm Bureau Federation appreciates this opportunity to present its views with regard to S. 1755 and S. 1764. These bills amend the acts of April 1949 and August 1954 to provide that the rate of interest on certain loans made under these acts shall not exceed 3 percent per annum.

Quoted below are the 1955 policies dealing with emergency drought and disaster assistance:

"Drought and disaster conditions have created in many areas a critical financial condition. For areas designated as disaster or drought emergency areas, we recommend that the following actions be taken to assure continued ownership and/or operation of family enterprises wherever there is a reasonable expectation that such borrowers can work out of present difficulties:

"(1) The authority and time limit for making emergency loans should be extended beyond the present 2-year period which expires in July 1955.

"(2) Legislative authority should be provided to permit the orderly liquidation of these emergency loans over periods up to 10 years.

"(3) The rate of interest on these emergency loans should be at a relatively low rate.

"(4) A loan program should be set up through the Farmers Home Administration to enable farmers and ranchers to consolidate all of their financial obligations, excluding real estate mortgages, but including provision for interest on real estate loans and for taxes.

"(5) Provision should be made in these emergency loans to allow the borrower, where necessary, to make reasonable land payments from sale of farm products.

"(6) Congress should provide additional farm-mortgage credit comparable to the former Land Bank Commissioner loans in these disaster and drought areas.

"(7) Regulations requiring personal financial responsibility of Farmers Home Administration personnel should be removed except where fraud or gross negligence is clearly indicated. Loan proeedures should be streamlined.

"(8) The feed and livestock use provisions of the emergency feed relief program should be broadened and extended so as to be better adapted and more workable in each area and at the time of the emergency, provided that necessary precautions are taken to see that the feed is used for the purpose for whieh it was intended."

We recommend that the interest rate on emergeney loans in disaster areas be at 3 percent for the year the loan is made and for 1 additional year, and if the loan is renewed or extended for any additional period that the interest rate be at the then current applieable rate for regular produetion and subsistence loans made by the Farmers Home Administration. This will give farmers who need such credit an opportunity to help meet their credit needs caused by extraordinary drought and other disaster conditions and help them get back on their feet.

Senator JOHNSTON. Are there any questions?

Senator SCHOEPPEL. I have no questions. Thank you.

Senator MUNDT. That is an interesting innovation that you suggest there at the end of your statement, about increasing the rate after the second year, and I can see the reasoning behind it, that you were trying to keep people from following this emergency-loan philosophy into an era when they could get by on the regular production and subsistence loans. If that were done, though, I wonder if there should not be some kind of escape clause for the man in the area where conditions get increasingly worse the second year, which sometimes happens, and if during the third year of a drought, for example, you are in worse shape than you were the first year.

Senator JOHNSTON. That is true.

Mr. LYNN. That certainly might be.

Our whole philosophy is to try to help these people, because they are in distress, and we have been in that area and know a little something about it.

But we do see the need, as Mr. McLeaish and Mr. Scott have explained here, of getting this interest rate increased as quickly as possible after the first year or two of the loan, because it is greatly misunderstood out in the counties.

But your suggestion certainly is well taken.

Senator JOHNSTON. Are there any other questions?

Senator SCOTT. No.

Senator JOHNSTON. We certainly thank you for coming.

Mr. LYNN. Thank you. I appreciate it.

Senator JOHNSTON. Mr. Schmidt.

Mr. Schmidt, just for the record, I would like you to identify yourself fully.

STATEMENT OF LAIL W. SCHMIDT, MEMBER OF THE BOARD OF DIRECTORS, ROCKY MOUNTAIN FARMERS UNION, LAMAR, COLO., REPRESENTING THE NATIONAL FARMERS UNION

Mr. SCHMIDT. Mr. Chairman and members of the committee, I am Lail Schmidt of Lamar, Colo. I am a wheat farmer and a livestock producer. Also, I am a member of the board of directors of Rocky Mountain Farmers Union and at this hearing I am representing National Farmers Union.

At the beginning I should like to state that we are supporting S. 1755 by Senator Johnston and S. 1764 by Senator Thurmond of South Carolina.

It is unreasonable, and indeed it is tragic, that these bills should even have to be introduced. Such is the case, however, and we hope you will give our observations and suggestions your full consideration.

Farmers are people. There may be some who do not consider farmers as people, or as human beings, but nevertheless they are. Farm families are composed of men, women, and children.

Percentagewise, farmers read the newspapers and listen to the radio more than other groups of society. And, farmers visit among themselves in their home communities. The community, and the activities that they carry on, are a vital part of the home life of the farm family. And so, Mr. Chairman, farmers learn things about their community, their State, their Nation, and about international affairs.

We have been told over the radio and in the press that 1955 will be the best year in our economic history, or at least equal to our best year. In the same breath the economists and others who made this statement at the end of 1954 and even recently also stated that farmers are an exception. They went on to say that farmers' income might remain about the same as in 1954 or would decline. Now, in January of 1955, the farmer's share of the consumer's dollar was 43 cents; in May of 1955 is 42 cents. Evidently the economists were correct in their predictions. In the very few years the farmer's share of the consumer's dollar has gone down from 52 cents to the present low of 42 cents.

With the total national economic output up each year, with unreasonable profits being made upon this economic situation, isn't it again unreasonable that farmers should be forced into a condition of lower wages, lower returns on their investments, and perhaps bankruptcy?

If conditions, or Government programs, do not change soon, there will be hundreds of thousands of farmers out of business within the next several years. And I believe that is what the present administration wants done. That will mean 4 to 8 million people who will have to find new work, new homes, schools for their children, new facilities of all kinds, and possibly will have to rely on some kind of Government program in order to finance such operations. That kind of situation would create all kinds of problems which you gentlemen would have to deal with.

Mr. Chairman, I am a rancher and a farmer. I know that all of you gentlemen are familar with the problems that we have. However, I am going to mention several things before I get to my final point. I merely want to review these other things for the record as to what the position of the farmer is today:

(1) Acreage allotments and marketing quotas affecting the basic commodities—this reduces income of farm families.

(2) Lower price support or no price support at all—this reduces income of farm families.

(3) The new parity formula which will go into effect next year—this reduces income of farm families.

(4) Crop insurance has been discontinued or curtailed in some areas—this reduces income of farm families.

(5) Drought, particularly in five Southwest States in 1955—this reduces income of farm families.

(6) Raising of interest rates on Farmers Home Administration loans—this reduces income of farm families.

Now, Mr. Chairman, I should like to talk about the sixth point I raised since that is what the committee is meeting for. It deals with the interest rates on emergency or disaster loans, which are made through Farmers Home Administration under the direction of the Secretary of Agriculture.

On April 15, 1955, the Farmers Home Administration disclosed that it had boosted interest rates on disaster loans from 3 percent to 5 percent on January 3, 1955. I wonder if it could have been shame or embarrassment on someone's part in the Department of Agriculture that would take three and half months to divulge such information to the public. It was stated that they just forgot to announce it publicly. They should have also added that they have forgotten the farmer.

That action taken on January 3, and announced on April 15, is just another reminder of the banker-minded approach of the present administration toward the whole farm problem. That approach is the one under which 2 or 3 million farm families might find themselves without farms. And then, gentlemen, you would find yourselves with that problem on your hands. It is not a problem that will allow you to sleep soundly at night.

Farmers and ranchers of today are required to invest many times more in equipment, livestock, and supplies than they had to 15 or 20 years ago. That is, if they are to efficiently handle their farm and ranching business.

The increased investment is caused by a number of factors. I shall mention two of these: (1) The original cost of land and (2) increase in original cost of new equipment necessary to operate the farm.

These higher costs cause a further increase in the cost of operation by increased depreciation and the interest rate to the operator. In other words, the interest cost per year on a tractor would be approximately two and one-half times the interest cost of an equivalent tractor 15 or 20 years ago if the interest rate would remain the same.

With an interest rate increase of 67 percent, such as the Secretary of Agriculture has declared, on loans to finance a piece of machinery and with the increase in the original price, a farmer's interest cost per year is increased by twice as much. This increased cost alone means the difference between profit and loss on many family-type farms.

Further, on many farms hit by flood, hail, drought, insects, and other disasters where no or practically no crops are grown for a period of years, unnecessary interest charges mount up and make it more difficult for a farmer to retire his obligations. This is particularly

true under circumstances where it is advisable to use disaster loan funds.

Farmers in the past few years have been hit by increasing prices on practically everything they buy, drought, and other agricultural disasters, and the sliding scale of support prices on almost all commodities they raise. They have been further affected by untimely, unwise, and unnecessary announcements by those in authority about burdensome surpluses, the inefficiency of farmers, and that marginal farmers should get off the land. They have told consumers that these factors cause unnecessarily high prices.

The reduced acreage of cash crops, increased interest rates, lower price supports, and in some areas the withdrawal of crop insurance, are evidence that some people would like to make farmers into second-class citizens. Farmers have been told they must be more rugged in order to be free. Every time prices for things they buy go up, every time interest rates go up, every time the prices they receive for what they raise go down, a little more comes out of the hide of the farmer, his wife, and children. This cannot go on forever.

Preliminary findings of a survey being carried on in Minnesota at this time have brought out the following facts. When the average net income of the first 221 farms studied is broken down into an hourly return it comes to 31 cents an hour per family based on 5,565 hours. That is all that these farm families got for their labor and management in 1954. Both farmers and nonfarmers can well ponder this fact: The income of this group of farmers was less than they would have realized if they had simply sold their farms and invested the proceeds at 5 percent.

Here is the proof. The 221 farmers had an average income of $1,736 for 1954. This did not include any charge for family labor or interest on investment. And the average capital investment in their farms was $37,905. If they had put that amount into an investment yielding 5 percent, it would have returned them an average of $1,895. That's $156 better than they got by working and managing a farm.

If 5 percent interest on investment had been charged as an operating expense, there would have been no income left at all for time spent working the farm. The survey covers 5 years of records on the individual farms studied. Highest average net income for the farms was in 1950 when it was $2,616.

There is much talk among farmers today of the advisability of attempting to continue in the farming business. In many instances if a farmer could change his occupation he would.

However, every time a farmer quits and leaves the land he takes with him years of experience in handling his farm. The chances of a less experienced individual making a success on that farm are likewise much smaller. Therefore, anyone that finances the less experienced operator is more likely to take a loss. In addition, the entire community suffers because of the lack of production and this has a direct effect on the national economy.

In many areas farm businesses must change their operations in order to meet changing conditions. For example, perishable land, usually referred to as "farmed out" or "sandy soil," must be treated, covered to prevent erosion, replaced to grass, or perhaps leveled to put it into shape for irrigation. These changes are costly and often require more than one crop year to develop. Interest rates, as an increased cost,

retard work of this kind. Every unnecessary cost eats at the farmer's net income and, in many years when there is no net income, naturally his standard of living is reduced and the family suffers in one way or another.

Some corporations, under Government regulation, are permitted to ask for increased revenue in the form of increased rates if they are not receiving 6 percent on their investment. This 6 percent, of course, is over and above the salaries, wages, and all operating expenses. I wonder how many executives, managers, or workers in industry would settle for the 31 cents an hour figure I mentioned before that those farmers in Minnesota received in 1954. And those farmers received nothing for their management.

If a farmer were to receive one-half of the yearly earnings of managers of these corporations and 5 percent interest on his investment, I am sure it would take more than 100 percent of parity prices on the commodities he raised.

And now, it would appear that his own Government is going to stick a knife in his back and raise the interest rate on the money he can borrow. I am sure that none of you gentlemen would hit a man when he is down. But that is what this interest rate increase amounts to. It is a deliberate attempt, a thought-out plan, to eliminate some 2 or 3 million farm families.

Perhaps the farmer has been too busy looking after his business at home on the farm. Farming is a complicated business today. And, again, perhaps he should have been giving more attention to what is going on in regard to the making of laws and the administration of those laws. I shall not belabor that point. We are where we are and we have to start from that point and try to make things better. The farmer is being discriminated against in many different ways and I realize it is difficult, if not impossible, to legislate to prevent poor administration of any program. Good laws can be passed and then administered in an entirely different way than was the thought of the legislators.

To be specific, the interest rates to farmers for disaster or emergency loans from Farmers Home Administration have been increased as follows, according to the action by Secretary Benson on January 3 of this year, but not announced publicly until April 13:

1. Public Law 38—raised from 3 percent to 5 percent.
2. Public Law 115—raised from 3 percent to 5 percent.
3. Public Law 727—raised from 3 percent to 5 percent.

I should like to point out also, in proof of my contention that farmers are being discriminared against, the types of loans and the interest rates that were made under Reconstruction Finance Corporation and which were turned over to the Small Business Administration after liquidation of RFC.

Under RFC there were two types of disaster loans.

1. Business enterprise loans: The interest rate on these was 4 percent from 1937 when the Disaster Loan Corporation was formed, until June 1952, when the interest rate was raised to 5 percent.

2. Homeownership loans: The interest rate was 4 percent from the beginning of the program until September 1953, when RFC was closed out. Disaster loans were transferred at that time to the Department of Commerce.

Now, under the Department of Commerce, the interest rate charged to business enterprises under the disaster loan program has been reduced to 3 percent. Loans to homeowners under this program have been continued at the same rate as previously, 3 percent.

The farmer today is being discriminated against by his own Department of Agriculture in more ways than one. This interest-rate problem is only one of the techniques that are being used.

Efficiency of farm businesses is closely related to available equipment to accomplish the necessary jobs on the farm, unless the farm is unnecessarily overcapitalized. Increased interest rates and a tighter lending policy by Farmers Home Administration will cause private agencies and institutions to raise interest rates still further. This kind of policy will deny farmers some much-needed equipment and without this equipment there will be more marginal farms, more marginal land, and more farmers forced off their land and into the unskilled-labor market.

Mr. Chairman, I should like to again urge that this committee give serious consideration to S. 1764 and S. 1755. I want to thank you for having this opportunity to appear before the committee.

Senator JOHNSTON. Mr. Schmidt, we certainly thank you.

Are there any questions by anyone?

Senator SCHOEPPEL. I have no questions.

Senator JOHNSTON. No questions. We certainly thank you for coming before us.

Mr. SCHMIDT. Thank you very much.

Senator JOHNSTON. I see we have my colleague from South Carolina here.

Senator Thurmond, have you a statement?

STATEMENT OF HON. STROM THURMOND, A UNITED STATES SENATOR FROM THE STATE OF SOUTH CAROLINA

Senator THURMOND. Mr. Chairman and gentlemen of the committee, I want to thank you for hearing me just for a few remarks on these two bills regarding the interest rates. I am in a public works meeting, and I have got to get back there as soon as I can. I appreciate your taking this time.

Senator JOHNSTON. Go right ahead.

Senator THURMOND. Mr. Chairman, on April 20 I introduced Senate bill 1764 after reading in the press that the Department of Agriculture had, 3 months previously, raised the interest rates on Government disaster loans from 3 percent to 5 percent. This increase in interest rates has come at a time when our farmers need every consideration if many of them are to continue growing the crops to feed and clothe America and many other nations of the world.

Thousands of our farmers in my State and other States across the Nation have only recently—in the latter part of March—suffered millions of dollars worth of crop losses as a result of a disastrous freeze. This freeze cost the farmers of South Carolina alone more than $10 million, just at a time when they were trying to recover from a scorching drought that cost millions more during the last crop year.

Mr. Chairman, as you know, no segment of our economy has suffered more severe losses in recent years than our farmers. They should continue to receive these loans from our Government at an interest rate of

no more than 3 percent annually. At present, this is the only form of Government aid that has been made available to the farmers in my State as a result of the recent disaster. Now they find that the Government rates they have applied for are comparable to those charged by private lending agencies.

It is contended that by raising these interest rates by 2 percent, many of our well-to-do farmers will not be attracted to apply for these disaster loans, which they, in fact, could not qualify for under the present law. As I understand the existing law concerning these loans, only those farmers who cannot obtain private financing are eligible to qualify for Government assistance. If any unqualified farmers have obtained these low-interest loans in the past, then I believe this is a problem to be solved by the Department of Agriculture itself, and not one that our low-income farmers should be called upon to bear in the form of increased interest rates. I cannot see the necessity of raising these rates to make these loans less attractive to those who, under the law, cannot qualify for them anyway.

Mr. Chairman, this bill would not undermine the principle of free enterprise as it relates to private lenders. As I have already pointed out, only those who could not obtain loans from private lending agencies are eligible for these disaster loans.

I strongly believe this measure is consistent with our traditional policy of providing for the general welfare, especially in cases of large-scale disaster affecting such a vital segment of our economy.

Mr Chairman, this change in interest rates at this time is an unwise action. I ask that this subcommittee give favorable consideration to both my bill and that of the senior Senator from South Carolina which would accomplish the same end—that of placing a 3 percent ceiling on all disaster loans.

I believe my colleague and I introduced bills the same day, each not knowing the other was introducing them on the same subject. Mr. Chairman, if it is desired to consolidate those bills or place both names on one bill, it is entirely agreeable with me, or in any way the committee wants to handle it.

I do feel very strongly about this matter, though, affecting the people who have suffered disasters and who are vitally in need.

I want to thank you very much for your kind consideration, gentlemen of the committee.

Senator SCHOEPPEL. We are glad to have you here.

Senator JOHNSTON. I do not want to keep you. But are there any questions of anyone?

Senator MUNDT. Mr. Chairman, I just want to say that I think the Siamese sister States of South Carolina and South Dakota see eye to eye on this subject as they do on many others.

Senator JOHNSTON. That is fine.

Senator THURMOND. Thank you very much.

Senator JOHNSTON. I find you and I in here are pretty much together and see eye to eye most of the time.

Senator MUNDT. We do.

Senator THURMOND. Thank you for letting me testify.

Senator JOHNSTON Thank you for coming.

I believe we have one more witness, Mr. Lloyd C. Halvorson, economist of the National Grange.

Mr. HALVORSON. Thank you, Mr. Chairman.

Senator JOHNSTON. Identify yourself more fully for the record.

STATEMENT OF LLOYD C. HALVORSON, ECONOMIST, NATIONAL GRANGE

Mr. HALVORSON. I am Lloyd Halvorson, economist for the National Grange, and I have offices at the Grange headquarters at 734 Jackson Place NW.

In the way of introduction, I would like to point out, before I prepared this statement, I sent out 10 telegrams to State masters in 10 of the drought-stricken States. I received replies from all of them, and nine of them were very much in favor of reducing the interest rate, and the tenth one said that he was inclined to go along with the 5 percent. But of those that reported, some of them were very strong for a return to a 3 percent rate. Some of them also expressed the desire for a longer term loan. In other words, some of them are worried about this drought and feel that it will take them 10 years to work out of this, and therefore are interested in 10-year loans.

The National Grange urges favorable action on the bills to reduce the interest rate on disaster loans from 5 percent to 3 percent.

The drought which has affected a sizable area of our country for several years has caused adversity for many farm people. This is a disaster beyond their control. It is a function of government, we believe, to assist victims of a disaster.

We are deeply grateful for the help extended to drought-stricken farmers so far by the Government drought relief program.

Our main concern is that the program be adequate to enable farmers to live through this calamity of nature with the least possible suffering, and without undue sacrifice of living standards. It is equally important that credit be adequate to enable farmers to maintain their agricultural plant, including livestock, at reasonably full readiness for productive use when rain fall returns to normal. Protection against undue loss of property through foreclosure in these regions is also essential.

We look upon the disaster loan program as an emergency program to help people who cannot meet the disaster by their private means, and who cannot secure adequate credit at reasonable rates through private sources. The American people, we are sure, are glad to help people in need, but they are quick to anger if a program is abused. The main reason given for the increase in the interest rate on disaster loans from 3 percent to 5 percent was to prevent abuse. We are in full accord with this desire to prevent abuse, but we do not accept this method as the best or only way of preventing abuse.

If a 3 percent rate causes those who are well able to obtain loans from private sources to seek cheap Government loans, they should be screened out by examination of their financial balance sheet, or even by requiring a statement from private lenders, such as banks, that they cannot lend a certain applicant any more money.

Farm families who have had to obtain disaster loans will have a financial scar that will hold back their standard of living for many years to come, and also hold back their farming progress. Older farmers may never recover from the effect. Ambitious and intelligent boys and girls, who thought they would have a college education, may never receive it. Consecutive disaster loans at high cumulative interests rates could mean that some farmers may be forced to quit

and take the bankruptcy route. It seems the least we can do to help people through this drought disaster is to keep the interest rate on disaster loans down to 3 percent, which even then is more than the cost of money to the Treasury. We recognize that there will be some subsidy involved in the administration, but, judging by past decisions of the American people through their Government, we believe this small amount of aid to their own fellow citizens in distress would not be inconsistent, or objectionable.

Again we urge reduction of the interest rate to 3 pereent—with tight safeguards against abuse if this appears necessary.

Senator JOHNSTON. Are there any questions?

Senator MUNDT. Mr. Halvorson, if there should come that happy day when the three great national farm organizations could arrive at the same degree of unanimity on a basic farm program that you have arrived at on a basic interest rate, I think we could begin to solve the problems of the farmers.

Mr. HALVORSON. It is a big problem.

Senator JOHNSTON. I would like to see them all unite. They would be more powerful, I think, and would really serve the farmers better.

Senator MUNDT. That is right.

Senator JOHNSTON. If there is any way to do that.

Senator MUNDT. And whether they unite as an organization, if they could work out a farm program on which they would all agree, it would certainly be helpful.

Senator JOHNSTON. Yes, if they could just do that, even though they kept the organizations separated.

Mr. HALVORSON. There will never be unanimity of thinking in a big country like this.

Senator JOHNSTON. That is true.

Mr. HALVORSON. We will have to let the Senators and the Congressmen decide who has the best plan.

Senator SCHOEPPEL. Mr. Halvorson, on the initial approach to this type of loan, this one here, as it looks to me, should be considered strictly from a disaster-type approach.

Mr. HALVORSON. That is right.

Senator SCHOEPPEL. Now, it is very true, as you mentioned, that recovery from a drought, or long drought, is a pretty rough readjustment period.

Mr. HALVORSON. Certainly.

Senator SCHOEPPEL. I personally have felt that the difficulties announced by the Department as a reason for changing this loan are not the complete answer, as I view it. In the field these people who pass on these loans, from a standpoint of the emergency character of them, should be able to screen these applicants out even though the pressures may be a little rough down there. I am speaking from the field level.

Mr. HALVORSON. I might say that this morning I talked by phone to a State master who is on one of those county committees, and he said that very same thing; that he felt they were doing a good job of screening out those who should not get loans. He did say that there was some pressure put on, some political pressure that made it difficult for them, but he felt that they were coping with the situation.

Senator SCHOEPPEL. I personally feel this way. Say there is a percentage of those loans from the field standpoint that are overloaned; that is, going into this loan when they should be excluded from it. The attendant hardships that will follow in readjusting in these drought areas, the very thing that Senator Thurmond mentioned here and Senator Scott mentioned here, this freeze, and all that, I think are going to work an undue hardship.

Now, I am, of course, reminded that I have been sitting up here in the Senate passing on legislation and asked to vote on it. They paint an awfully rosy, glib picture when looking over to India or Pakistan or China or some other places, even Great Britain, and in many instances we give them our tax moneys. But when it comes to an emergency loan in the United States of America, to the farmers out there who are a part of the taxpaying public, and who must keep all these mills grinding and gears meshing, then we say, well, 5 percent instead of 3.

And it is most unfortunate, as I view it, that the decision was made and then they forgot to announce it. I have not been able to explain that. People write to me about it. They say, "You are on the Agricultural Committee. Tell me why this was done."

I cannot do it with the degree of confidence that I would like to put into a letter and sign my name to. It is just one of those things that I think we have been in error on. We have overreached, possibly, in this respect.

Senator JOHNSTON. I agree with everything the Senator from Kansas has said, and want to call your attention to another fact that we must bear in mind.

If these people, some of them, are not given some assistance on the farm, they are going to leave the farm. If they go into the cities, there are only occupations for so many people in the cities of this Nation of ours. So it is going to cause greater unemployment, then, throughout the Nation, and we are cutting down our purchasing value, too, from them.

So when you cut down your purchasing value, you cannot sell what is produced by the industries unless you have a purchaser. So we have to bear that in mind also, as we go along.

Mr. HALVORSON. One of the telegrams—I think it was from Arkansas—said that that was happening now; that there were some people who just decided to give up because of the difficulties.

Senator MUNDT. I would like to point out, Mr. Chairman, that if my mental arithmetic is correct, this is not an astronomical figure which we are dealing with. With $60 million worth of loans and a 2 percent spread, that is $1,200,000 a year. That is $100,000 a month. That is all we are talking about, and that is not very much to spend to help the farmer who is confronted with a disaster.

Mr. SCOTT. That is right.

Senator JOHNSTON. Are there any other questions, Senator Scott?

Senator SCOTT. No questions.

Senator JOHNSTON. Any other?

(No response.)

Senator JOHNSTON. We certainly appreciate your coming forward with this statement, and all others.

Mr. HALVORSON. I appreciate it, Mr. Chairman.

Senator JOHNSTON. Is there anyone else who wants to testify? Sometimes they come up afterwards and say, "I was there and wanted to testify, but they did not have me written down on the list."

(No response.)

Senator MUNDT. If we go into executive session, maybe we can get this done right now.

Senator JOHNSTON. You have heard the motion that we go into executive session.

Senator SCHOEPPEL. I second it.

Senator JOHNSTON. All in favor let it be known by saying "Aye"; opposed "No"; the ayes have it. It is so ordered.

(Whereupon, at 11:35 a. m., the subcommittee proceeded in executive session.)

84TH CONGRESS
1ST SESSION

S. 1755

IN THE SENATE OF THE UNITED STATES

APRIL 20 (legislative day, APRIL 18), 1955

Mr. JOHNSTON of South Carolina introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

A BILL

To amend the Act of April 6, 1949, as amended, and the Act of August 31, 1954, so as to provide that the rate of interest on certain loans made under such Acts shall not exceed 3 per centum per annum.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (a) of section 2 of the Act of April 6, 1949, as amended (63 Stat. 43; 12 U. S. C., sec. 1148a–2 (a)), is amended by striking out the last sentence of such subsection and inserting in lieu thereof the following: "Such loans shall be made at such rate of interest, not to exceed 3 per centum per annum, and on such general terms and

conditions as the Secretary shall prescribe for such area or region.".

SEC. 2. Subsection (b) of section 2 of the Act of April 6, 1949, as amended (12 U. S. C., sec. 1148a–2 (b)), is amended by striking out the last sentence of such subsection and inserting in lieu thereof the following: "Such loans shall be made at such rate of interest, not to exceed 3 per centum per annum, and on such general terms as the Secretary shall prescribe for such area.".

SEC. 3. Clause (4) of section 2 of the Act entitled "An Act to provide emergency credit", approved August 31, 1954 (68 Stat. 999), is amended to read as follows: "be made at such rate of interest, not to exceed 3 per centum per annum, and on such terms and conditions as the Secretary shall prescribe for such area or areas; and".

84TH CONGRESS
1ST SESSION

S. 1755

A BILL

To amend the Act of April 6, 1949, as amended, and the Act of August 31, 1954, so as to provide that the rate of interest on certain loans made under such Acts shall not exceed 3 per centum per annum.

By Mr. JOHNSTON of South Carolina

APRIL 20 (legislative day, APRIL 18), 1955
Read twice and referred to the Committee on Agriculture and Forestry

84TH CONGRESS
1ST SESSION

S. 1764

IN THE SENATE OF THE UNITED STATES

APRIL 20 (legislative day, APRIL 18), 1955

Mr. THURMOND introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

A BILL

To amend the Act of April 6, 1949, as amended, and the Act of August 31, 1954, so as to provide that the rate of interest on certain loans made under such Acts shall not exceed 3 per centum per annum.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (a) of section 2 of the Act of April 6, 1949, as amended (63 Stat. 43; 12 U. S. C., sec. 1148a–2 (a)), is amended by striking out the last sentence of such subsection and inserting in lieu thereof the following: "Such loans shall be made at such rate of interest, not to exceed 3 per centum per annum, and on such general terms and conditions as the Secretary shall prescribe for such area or region.".

SEC. 2. Subsection (b) of section 2 of the Act of April 6, 1949, as amended (12 U. S. C., sec. 1148a–2 (b)), is amended by striking out the last sentence of such subsection and inserting in lieu thereof the following: "Such loans shall be made at such rate of interest, not to exceed 3 per centum per annum, and on such general terms as the Secretary shall prescribe for such area.".

SEC. 3. Clause (4) of section 2 of the Act entitled "An Act to provide emergency credit", approved August 31, 1954 (68 Stat. 999), is amended to read as follows: "be made at such rate of interest, not to exceed 3 per centum per annum, and on such terms and conditions as the Secretary shall prescribe for such area or areas; and".

84TH CONGRESS
1ST SESSION

S. 1764

A BILL

To amend the Act of April 6, 1949, as amended, and the Act of August 31, 1954, so as to provide that the rate of interest on certain loans made under such Acts shall not exceed 3 per centum per annum.

By Mr. THURMOND

APRIL 20 (legislative day, APRIL 18), 1955
Read twice and referred to the Committee on Agriculture and Forestry

has the accounts audited by a certified public accountant.

Our understanding is that the Civil Service Commission does not regard the guides as permanent employees, solely because they do not receive a per annum salary, stating that the Capitol guide force is excluded by section 3 (c) of the Retirement Act which says: "The provisions of this act shall not apply to employees of the Senate or the House of Representatives whose employment is temporary or of uncertain duration unless such employees are appointed at an annual rate of salary." However, while we may not be technically within the Commission's definition of permanent employees, we believe the facts show that our employment is no more temporary or of uncertain duration than many employees who are under the Retirement Act. One guide has spent 40 years on the job, 1 27 years, 1 26 years, and 1 15 years, the average length of service at this time being about 10 years. The amount of salary on which deductions and retirement should be based should not be difficult to determine, since careful records are kept showing the amount actually paid each month to each guide.

The view of the Commission that we are not permanent employees likewise denies us the protection of the Federal Employees' Life Insurance Act of 1954. We believe that the same facts which justify our being considered under the Retirement Act also justify our coverage under the Insurance Act.

If the proper officials are willing to consider legislation to establish that we are under the Retirement Act and the Insurance Act, we believe that a simple bill like the following would do it:

"Be it enacted, etc., That the members of the United States Capitol guide force shall be recognized as employees in the legislative branch of the Government for the purposes of the Civil Service Retirement Act of May 29, 1930; all service on the guide force shall be creditable as service under the act; and the act shall apply to them to the same extent as it applies to employees in the legislative branch who are appointed at an annual rate of salary.

"SEC. 2. The members of the United States Capitol guide force shall be recognized as employees in the legislative branch of the Government for the purposes of the Federal Employees' Group Life Insurance Act of 1954. The annual compensation for this purpose for each calendar year shall be determined by averaging the amount actually received for the previous calendar year by guides who worked the full regular tour of duty for that year."

Respectfully,

FLOYD KIRBY,
Captain, United States Capitol Guides.

EMERGENCY FARM LOANS

Mr. THURMOND. Mr. President, I introduce, for appropriate reference a bill to amend the act of April 6, 1949, as amended, and the act of August 31, 1954, so as to provide that the rate of interest on certain loans made under such acts shall not exceed 3 percent per annum. I ask unanimous consent that a statement prepared by me, in connection with the bill, be printed in the RECORD.

The VICE PRESIDENT. The bill will be received and appropriately referred; and, without objection, the statement will be printed in the RECORD.

The bill (S. 1764) to amend the act of April 6, 1949, as amended, and the act of August 31, 1954, so as to provide that the rate of interest on certain loans made under such acts shall not exceed 3 percent per annum, introduced by Mr. Thurmond, was received, read twice by its title, and referred to the Committee on Agriculture and Forestry.

The statement presented by Mr. THURMOND is as follows:

STATEMENT BY SENATOR THURMOND

According to the present law, the Secretary has the authority to determine the interest rates on emergency loans.

It was revealed in the press a few days ago that the Department of Agriculture has raised the interest rates on these loans from 3 to 5 percent. This change comes at a time when thousands of farmers in my State and in other States across the Nation have suffered millions of dollars in crop losses due to recent disasters. The only Government aid available to them is this emergency Government loan program.

No segment of our economy has suffered more severe losses in recent years than our farmers. I strongly feel that those who have been hardest hit by these setbacks should continue to receive these loans at an interest rate of 3 percent annually. They should be given every consideration.

It is contended that by raising these rates by 2 percent, many well-to-do farmers would not be attracted to apply for these Government loans, which, they, in fact, could not qualify for under the law. As I understand the provisions concerning these loans, however, only those farmers who cannot receive aid from private lending agencies are eligible to qualify for Government assistance. Thus, I cannot see the necessity of raising these Government rates to make the loans less attractive to those who are not in need of emergency assistance. I believe this change in interest rates at this time of crisis is an unwise action.

CERTAIN CONSTRUCTION AT MILITARY, NAVAL, AND AIR FORCE INSTALLATIONS

Mr. RUSSELL. Mr. President, on behalf of myself and the Senator from Massachusetts [Mr. SALTONSTALL], by request, I introduce for appropriate reference a bill to authorize certain construction at military, naval, and Air Force installations, and for other purposes.

This bill is requested by the Department of Defense and is accompanied by a letter of transmittal from the appropriate military department explaining the purpose of the bill.

I ask that the letter of transmittal be printed in the CONGRESSIONAL RECORD immediately following the listing of "Bills introduced."

The VICE PRESIDENT. The bill will be received and appropriately referred; and, without objection, the letter of transmittal will be printed in the RECORD.

The bill (S. 1765) to authorize certain construction at military, naval, and Air Force installations, and for other purposes, introduced by Mr. RUSSELL (for himself and Mr. SALTONSTALL), by request, was received, read twice by its title, and referred to the Committee on Armed Services.

The letter of transmittal referred to is as follows:

OFFICE OF THE
ASSISTANT SECRETARY OF DEFENSE,
Washington, D. C., April 20, 1955.

Hon. RICHARD M. NIXON,
President of the Senate.

DEAR MR. PRESIDENT: There is forwarded herewith a draft of proposed legislation to authorize certain construction at military, naval and Air Force installations, and for other purposes.

This proposed legislation is a part of the Department of Defense Legislative Program for 1955, and the Bureau of the Budget advises that this legislation is in accord with the program of the President. The Department of Defense recommends that it be enacted by the Congress.

PURPOSE OF THE LEGISLATION

The proposed legislation would authorize the construction of additional military public works that are urgently needed by the military departments at this time and the construction of a headquarters installation for the Central Intelligence Agency. Appropriations for construction will be requested at a future date.

Included in this proposal is authorization totaling $254,983,300 for the construction of approximately 17,000 units of family housing that are urgently needed for our military personnel and their dependents. This proposal also requests an adidtional $75 million for family housing to be acquired through the surplus agricultural commodities program. The housing units covered by this proposal, together with the housing authorized by Public Law 765, 83d Congress, constitute the initial stage of what is intended to be a long range housing program which should be a major factor in raising the morale of our military personnel. Moreover, the cost of providing such family housing will be more than offset in the future by savings in appropriations for quarters allowances.

This proposal would also repeal the authorizations for all military public works, with certain exceptions, that are contained in laws enacted prior to October 1, 1951. Such a repeal would eliminate those projects which are no longer deemed to be of sufficient importance to be retained in the military construction program and place that program on a more current basis. It will be a significant step in the development of a realistic military construction program and enable the Department of Defense to clarify its presentations of that program to the Congress. A report to the Congress pursuant to section 408 (b) of Public Law 564, 81st Congress, as to those construction projects which have been authorized by the Congress but which have not been financed is being submitted separately.

COST AND BUDGET DATA

The total cost of the construction, exclusive of the construction of family housing totaling $75 million through the surplus agricultural commodities program, that is to be authorized by this proposal is $2,354,352,300. Of that amount $543,365,000 is for the Department of the Army, $581,197,300 is for the Department of the Navy, $1,173,790,000 is for the Department of the Air Force, and $56 million is for the Central Intelligence Agency. Increases in estimates for construction work previously authorized will call for additional appropriations totaling $91,051,000, including $75 million for family housing to be acquired through the surplus agricultural commodities program.

Sincerely yours,

RICHARD A. BUDDEKE,
Director, Legislative Programs.

ISSUANCE OF WHEAT-MARKETING CERTIFICATES

Mr. MORSE. Mr. President, earlier today the Senator from Kansas [Mr. CARLSON] introduced a bill to amend title III of the Agricultural Adjustment Act of 1938, as amended, to provide for the issuance of wheat-marketing certificates. On behalf of myself and my colleague, the junior Senator from Ore-

Captain Boyer subsequently was released from active duty and, on September 21, 1954, he filed a claim with the Department of the Army under the provisions of the Military Personnel Claims Act of 1945 (59 Stat. 225; 31 U. S. C. 222c), as amended, for reimbursement of his loss in the amount of $4,075.83. The claim was processed within the Department of the Army under regulations prescribed by the Secretary of the Army in accordance with the Military Personnel Claims Act of 1945, supra. After giving effect to depreciation of the items involved in the claim, it was determined by this Department that the claim was meritorious in the amount of $2,996.89. However, the act of July 3, 1952 (Public Law 439, 82d Cong.; 66 Stat. 322), placed a maximum limitation of $2,500 on the amount which could be paid administratively under the provisions of the Military Personnel Claims Act of 1945, which was the only statute under which the claim could be considered. Accordingly, Captain Boyer's claim has been allowed administratively in the amount of $2,500, and a check in that amount has been sent to him. After the making of said payment there remains a balance of damages sustained by the claimant in the sum of $496.89, for which he has not been compensated. There is no method by which he may be reimbursed for the remaining portion of this loss except through the enactment by the Congress of private legislation.

All of the household goods, for the damage to which this claim has been determined to be meritorious, were reasonable, useful, necessary or proper for the claimant to have owned and had in his possession under the attendant circumstances. The loss occurred incident to the service while the household goods were bailed to an agent of the United States and without any fault or neglect on the part of Captain Boyer.

On May 26, 1953, when Captain Boyer's household goods were delivered to the warehouse of the Buckner Transfer and Storage Co., in El Paso, Tex., that company, representing United Van Lines, Inc., issued to him a document which apparently insured against all risks of physical loss or damage to the property while it was stored and in transit to San Diego, Calif. However, after the loss was incurred, all liability therefor was denied completely by the Buckner company, both on the theory of lack of negligence and under the purported insurance. Paragraph 13, Army Regulations 25–100, dated August 20, 1953, implementing the Military Personnel Claims Act of 1945, supra, provides as follows:

"Transfer of rights against carrier or insurer.—Whenever a carrier or insurer denies liability or fails to satisfy such liability and a claim for the property in relation to which the claim is made is approved under these regulations without deduction of the amount for which the carrier or insurer is deemed liable, the claimant by the acceptance of payment of such claim under these regulations will be deemed to have assigned to the United States to the extent of his right, title, and interest in and to any claim he may have against the carrier or insurer and to have agreed that he will, upon request, execute and deliver to the United States a written assignment thereof, together with the original or a copy of the bill of lading or contract, insurance policy, and all other papers which may be required to enable the United States to press the claim against the carrier or insurer. Upon settlement of his claim by the United States, the claimant will be considered to have agreed to refund to the Government the amount of any subsequent recovery from the carrier or insurer."

Inasmuch as the Department of Justice has under consideration the possibility of instituting action against the carrier or insurer, and in order not to risk placing in jeopardy any right, title, and interest in and to any claim which the United States has as a result of this fire, a proviso to that effect has been inserted in this proposed legislation.

The Congress, from time to time, has considered favorably claims of members of the Armed Forces for loss of personal property in excess of $2,500 limitation placed upon administrative payments under the provisions of the Military Personnel Claims Act of 1945. Recent cases are Private Law 494, for the relief of Paul G. Kendall (H. R. 5025); Private Law 497, for the relief of Walter Carl Sander (H. R. 685); and Private Law 933, for the relief of Staff Sergeant Frank C. Maxwell (H. R. 7835), all enacted by the 83d Congress. An additional case, S. 3515, for the relief of John B. Gibbons, Jr., was under consideration by the Committee on the Judiciary, United States Senate, at the close of the second session of the 83d Congress, but it was not acted upon.

The total cost of this bill, if enacted, will be $496.89.

The Bureau of the Budget advises that there is no objection to the submission of the proposed legislation for the consideration of the Congress.

Sincerely yours,

ROBERT T. STEVENS,
Secretary of the Army.

EXTENSION OF PROVISIONS OF CIVIL SERVICE RETIREMENT AND FEDERAL EMPLOYEES' GROUP LIFE INSURANCE ACTS TO MEMBERS OF CAPITOL GUIDE FORCE

Mr. JOHNSTON of South Carolina. Mr. President, I introduce, for appropriate reference, a bill to extend the provisions of the Civil Service Retirement Act of May 29, 1930, as amended, and the Federal Employees' Group Life Insurance Act of 1954 to members of the Capitol guide force. I ask unanimous consent that a letter addressed to the Sergeant at Arms of the Senate by the captain of the Capitol guide force relating to the bill be printed in the RECORD.

The VICE PRESIDENT. The bill will be received and appropriately referred, and, without objection, the letter will be printed in the RECORD.

The bill (S. 1761) to extend the provisions of the Civil Service Retirement Act of May 29, 1930, as amended, and the Federal Employees' Group Life Insurance Act of 1954 to members of the Capitol guide force, introduced by Mr. JOHNSTON of South Carolina, was received, read twice by its title, and referred to the Committee on Post Office and Civil Service.

The letter presented by Mr. JOHNSTON of South Carolina is as follows:

CAPITOL GUIDE FORCE,
March 11, 1955.

JOSEPH C. DUKE,
Sergeant at Arms,
United States Senate.

DEAR MR. DUKE: The Capitol guide force has been trying for some years to settle the problem of its retirement status, we would like to ask you to take up with the proper officials the matter of legislation to bring us under the provisions of the Civil Service Retirement Act.

As you know, the Capitol guides are governed by regulations of the Capitol Police Board, which require that a minimum of 10 guides and not more than 12 shall be maintained by both the Sergeant at Arms of the Senate and the Sergeant at Arms of the House. The guides are appointed by the Sergeant at Arms and required to take the oath of office prescribed for Government employees. They are required to wear a prescribed uniform, to report at a certain hour each day and work a prescribed number of hours, and to conduct parties around the Capitol as assigned. A daily attendance record is kept, and the guides are permitted a certain amount of annual leave and sick leave. The attendance sheets, which are transmitted to the Sergeant at Arms of both Houses, serve to record satisfactory or unsatisfactory progress, and the guides are subject to suspension and dismissal by the Sergeant at Arms who appoints them.

The Treasury Department ruled in 1943 that the guides are employees of the United States Government and therefore subject to withholding tax, moreover, the Department, in 1954, ruled that the Capitol guide force was not subject to the penalty provisions of the law because such provisions do not apply to agencies of the Federal Government.

The rulings of the Federal Security Agency with respect to social-security coverage do not in any way aid in determining whether the guides are Federal employees in the legislative branch of the Government, or whether they are self-employed. Heretofore requests have been made to the Federal Security Agency for a determination as to their status. Conflicting decisions have been made. Some of the decisions are to the effect that since the guides are attached to the legislative branch of the Government, and under the Social Security Act of 1950, as amended, only Congress can determine whether or not they are Federal employees. In another decision rendered by the Federal Security Agency, apparently on incomplete set of facts, it was determined that the guides were licensees and were engaged in a trade or business; therefore, they would be considered as self-employed. This has resulted in some of the guides considering themselves under social security, while others do not. Some are paying social-security tax; some are not paying it. In other instances guides have paid the social-security tax, but the monies have been refunded because they are not self-employed. The question of whether or not the guides are covered under social security has in the past and is now confusing.

Apparently the one element of our employment which has caused the Civil Service Commission to consider that we are not covered by the Civil Service Retirement System is the method by which we are paid. This method arises from the manner in which the guide force was established. According to information in the hearings on the legislative establishment appropriation bill, 1926, the Philadelphia Centennial in 1876 caused throngs of people to visit Washington who had not been in this part of the country before. A few persons made a business of showing parties around the Capitol and other parts of the city for a fee. Eventually many complaints arose because of the character and practices of some persons who got into this business, and for the protection of visitors to the Capitol the Capitol Police Board (the Sergeant at Arms of each House and the Architect of the Capitol) decided to appoint special guides for the Capitol. In order to have funds for payment of the guides, the Board directed that a fee of 25 cents be collected from each sightseer, which was to be turned over to the captain of the guides. He was charged with keeping an accounting of the money received and distributing it equally among the guides in payment for their services. That method of payment has been continued ever since, the fee collected being still 25 cents per person, except that 15 cents per person is charged for school organizations. Some years ago the Board put into effect a system of numbered tickets with stubs in order to insure an accurate accounting, and at intervals it

84TH CONGRESS
1ST SESSION

H. R. 5848

IN THE HOUSE OF REPRESENTATIVES

APRIL 26, 1955

Mr. JONES of Alabama introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To reduce the interest rate from 5 per centum to 3 per centum on certain emergency loans made by the Farmers' Home Administration.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the second sentence of section 2 (a) of the Act of April 6, 1949, as amended (Public Law Numbered 38, 81st Congress; 12 U. S. C., sec. 1148a–2), is amended to read as follows: "Such loans shall bear interest at the rate of 3 per centum per annum on the unpaid principal balance, and shall be made on such general terms and conditions as the Secretary shall prescribe for such area or region."

SEC. 2. The second sentence of section 2 (b) of such

Act, as amended, is amended to read as follows: "The loans shall bear interest at the rate of 3 per centum per annum on the unpaid principal balance, and shall be made on such general terms as the Secretary shall prescribe for such area."

SEC. 3. The interest rate established by this Act shall apply with respect to any interest payment coming due after the date of enactment of this Act on any loan made before, on, or after such date.

84TH CONGRESS
1ST SESSION

H. R. 5848

A BILL

To reduce the interest rate from 5 per centum to 3 per centum on certain emergency loans made by the Farmers' Home Administration.

By Mr. JONES of Alabama

APRIL 26, 1955
Referred to the Committee on Agriculture

6. RECORDS. Passed without amendment S. 1007, to authorize GSA to establish a central depository for inter-state agreements (p. 4989).

7. FARM LOANS. On May 6 (during Senate recess) a subcommittee of the Agriculture and Forestry Committee approved for reporting to the full committee S. 1755, to reduce interest rates from 5% to 3% on disaster loans (p. D386).

8. RECESSED until Wed., May 11. Majority Leader Johnson stated that the postal pay bill may be considered Wed. and that the roads bill may be considered later in the week. (p. 4993.)

HOUSE

9. INTERIOR DEPARTMENT AND RELATED AGENCIES APPROPRIATION BILL FOR 1956. Reps. Kirwan, Norrell, Sieminski, Magnuson, Jensen, Fenton, Scrivner, and Taber were appointed conferees on this bill, H. R. 5085 (p. 4994). Senate conferees have been appointed.

10. RURAL ELECTRIFICATION; COMMODITY EXCHANGES; FARM CREDIT. The Agriculture Committee reported without amendment H. R. 5376, to repeal the State allotment formula for REA (H. Rept. 547); H. R. 4514, to authorize subpenas under the Commodity Exchange Act (H. Rept. 552); and S. 941, to authorize the Federal land banks to purchase certain remaining assets of the Federal Farm Mortgage Corporation (H. Rept. 550) (p. 5029).

11. FIRE PROTECTION. The Government Operations Committee reported without amendment H. R. 6015, to authorize the execution of agreements between agencies of the U. S. and other agencies and instrumentalities for mutual aid in fire protection (H. Rept. 549) (p. 5029).

12. PERSONNEL. The Judiciary Committee reported without amendment H. R. 5650, to provide for the settlement of claims of military personnel and civilian employees of the Federal Government for damage to, or loss, destruction, capture, or abandonment of personal property occurring incident to their service (H. Rept. 553) (p. 5029).

13. CIVIC AUDITORIUM. Passed as reported H. R. 1825, creating a commission to plan a D. C. civic auditorium (pp. 5009-13).

14. STATEHOOD. Began debate on H. R. 2535, the Alaska-Hawaii statehood bill (pp. 5013-24).

15. POTATOES. Received a Maine Legislature memorial recommending an investigation of the Mercantile Exchange for the purpose of providing greater stability in the potato industry (p. 5031).

BILLS APPROVED BY THE PRESIDENT

16. RICE ALLOTMENTS. H. R. 4647, which increases each 1955 State rice acreage allotment by 2%, provides each State with a 1955 rice allotment at least equal to its 1950 allotment, provides each county whose base acreage for 1955 exceeded by at least 2% its base acreage for 1950 with a 1955 rice allotment at least equal to its 1950 allotment, and increases each State reserve for new producers and new farms to a minimum of 500 acres. Approved May 5, 1955 (Public Law 29, 84th Cong.).

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued May 10, 1955
For actions of May 9, 1955
84th-1st, No. 75

CONTENTS

Acreage allotments...16,30
Adjournment.....8
Administrative services.22
Animal disease.....5
Appropriations.....9
CCC.....2
Civic auditorium.....13
Claims.....2,12,33
Commodity exchanges...1,10
Corn.....24
Crop insurance.....31
Disaster relief.....5,7
Education.....13,25
Electrification.....10,34
Employee exchange.....19
Farm credit.....10
Fire protection.....3,11
Forestry.....3,9,11,29
Lands.....17
public.....4,33
Legal services.....27
Livestock.....23
Loans, farm.....7,18
Mining.....33
Organization, executive.27
Personnel.....12,19
Postal pay.....8
Potatoes.....15
Prices, support.....32
Property.....22
surplus.....26
Reclamation.....21
Records.....6
Rice.....16
Roads.....8
Soil conservation....30,35
Statehood.....14
Tax relief.....23
Trade policy.....28
Transportation.....20

HIGHLIGHTS: Senate passed bills to: give CEA subpena power; protect innocent purchasers of fungible goods from CCC claims; authorize inter-agency fire protection agreements. Senate subcommittee approved bill limiting interest on disaster loans to 3%. House sent Interior appropriation bill (which includes FS items) to conference; debated Hawii-Alaska statehood bill. House committee reported bills to give CEA subpena power, authorize land banks to purchase FFMC assets, and repeal REA State formula. Sen. Allott introduced and discussed emergency loans bill. Sen. Smathers intr. and discussed bill to carry out recommendations of President's transportation commitee.

SENATE

1. COMMODITY EXCHANGES. Passed without amendment S. 1398, to provide subpena power to the Commodity Exchange Authority (pp. 4987-8).

2. CCC CLAIMS. Passed as reported H. R. 1831, to protect innocent purchasers of fungible goods converted by warehousemen from CCC claims (pp. 4988-9).

3. FOREST FIRES. Passed as reported S. 1006, to authorize the execution of agreements between agencies of the U. S. and other agencies and instrumentalities for mutual aid in fire protection (p. 4990).

4. PUBLIC LANDS. Passed as reported S. 265, to amend the acts authorizing agricultural entries under the nonmineral land laws of certain mineral lands in order to increase the limitation with respect to desert entries made under such acts to 320 acres (p. 4987).

Passed without amendment S. 748, to prohibit the U. S. from acquiring mineral interests in lands acquired by it except when necessary to serve the purpose for which such lands are acquired (pp. 4986-7).

5. ANIMAL DISEASE. Passed without amendment S. 1133, to authorize USDA to pay indemnity for losses and expenses incurred during July 1954 in Iowa in connection with vesicular exanthema (p. 4988).

84TH CONGRESS
1ST SESSION

H. R. 6092

IN THE HOUSE OF REPRESENTATIVES

MAY 9, 1955

Mr. DEANE introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To amend the Act of April 6, 1949, as amended, and the Act of August 31, 1954, so as to provide that the rate of interest on certain loans made under such Acts shall not exceed 3 per centum per annum.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (a) of section 2 of the Act of April 6, 1949, as amended (63 Stat. 43; 12 U. S. C., sec. 1148a–2 (a)), is amended by striking out the last sentence of such subsection and inserting in lieu thereof the following: "Such loans shall be made at such rate of interest, not to exceed 3 per centum per annum, and on such general terms and conditions as the Secretary shall prescribe for such area or region."

SEC. 2. Subsection (b) of section 2 of the Act of April 6, 1949, as amended (12 U. S. C., sec. 1148a–2 (b)), is amended by striking out the last sentence of such subsection and inserting in lieu thereof the following: "Such loans shall be made at such rate of interest, not to exceed 3 per centum per annum, and on such general terms as the Secretary shall prescribe for such area."

SEC. 3. Clause (4) of section 2 of the Act entitled "An Act to provide emergency credit", approved August 31, 1954 (68 Stat. 999), is amended to read as follows: "be made at such rate of interest, not to exceed 3 per centum per annum, and on such terms and conditions as the Secretary shall prescribe for such area or areas; and".

84TH CONGRESS
1ST SESSION

H. R. 6092

A BILL

To amend the Act of April 6, 1949, as amended, and the Act of August 31, 1954, so as to provide that the rate of interest on certain loans made under such Acts shall not exceed 3 per centum per annum.

By Mr. DEANE

MAY 9, 1955
Referred to the Committee on Agriculture

84TH CONGRESS
1ST SESSION

H. R. 6096

IN THE HOUSE OF REPRESENTATIVES

MAY 9, 1955

Mr. ELLIOTT introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To reduce the interest rate from 5 per centum to 3 per centum on certain emergency loans made by the Farmers' Home Administration.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the second sentence of section 2 (a) of the Act of April 6, 1949, as amended (Public Law Numbered 38, 81st Congress; 12 U. S. C., sec. 1148a–2), is amended to read as follows: "Such loans shall bear interest at the rate of 3 per centum per annum on the unpaid principal balance, and shall be made on such general terms and conditions as the Secretary shall prescribe for such area or region."

SEC. 2. The second sentence of section 2 (b) of such

Act, as amended, is amended to read as follows: "The loans shall bear interest at the rate of 3 per centum per annum on the unpaid principal balance, and shall be made on such general terms as the Secretary shall prescribe for such area."

SEC. 3. The interest rate established by this Act shall apply with respect to any interest payment coming due after the date of enactment of this Act on any loan made before, on, or after such date.

84TH CONGRESS
1ST SESSION

H. R. 6096

A BILL

To reduce the interest rate from 5 per centum to 3 per centum on certain emergency loans made by the Farmers' Home Administration.

By Mr. ELLIOTT

MAY 9, 1955

Referred to the Committee on Agriculture

6. DISASTER LOANS. The Agriculture and Forestry Committee ordered reported S. 1755, to reduce interest rates from 5 to 3 percent on disaster loans (p. D431).

ITEMS IN APPENDIX

7. BUDGET. Extension of remarks of Rep. Rodino, Jr., urging a Joint Budget Committee of Congress to expedite appropriation bills (pp. A3416-7).

8. RECLAMATION; ELECTRIFICATION. Rep. Hull, Jr., inserted a newspaper article commenting on the vital role of the Mississippi Valley in power, reclamation, and agricultural programs (pp. A3417-8).

Rep. Engle inserted newspaper articles commenting on the value of a multi-purpose dam on the Trinity River and criticizing the Administration for consideration of PGE in this project (pp. A3418-21).

Rep. Budge inserted a newspaper article urging that the government construct the Hells Canyon dam under the existing National Reclamation Act rather than under a separate measure (p. A3428).

Rep. McDonough inserted editorials from the Los Angeles Herald-Express and Los Angeles Times denouncing the upper Colorado River project because it would deprive southern California of necessary water (pp. A3430-1).

9. RURAL ELECTRIFICATION. Rep. Coon inserted an editorial from the Portland Oregonian supporting H. R. 5789, which provides for construction of the John Day Dam on the Columbia River (pp. A3423-4).

10. SALT-WATER RESEARCH. Extension of remarks by Rep. Edmondson, Okla., supporting the purposes of H. R. 2126 and S. 516, which would extend and expand salt water conversion research (p. A3435).

11. RECORDS; INFORMATION. Extension of remarks of Rep. McDonough in support of the Hoover Commission's report on paperwork management (pp. A3436-7).

BILLS INTRODUCED

12. HOLIDAY. H. R. 6338, by Rep. Zablocki, declaring Good Friday in each year to be a legal public holiday; to Judiciary Committee (p. 5592).

13. PERSONNEL. H. R. 6339, by Rep. Zelenko, to amend the Civil Service Retirement Act of May 29, 1930, to provide that the annuities of certain officers and employees engaged in the enforcement of the criminal laws of the U. S. may be based on not to exceed 40 years of service; to Post Office and Civil Service Committee (p. 5592).

H. R. 6344, by Rep. Barrett, to amend the Civil Service Retirement Act of May 29, 1930, to liberalize the retirement benefits of female officers and employees; to Post Office and Civil Service Committee (p. 5592).

H. R. 6348, by Rep. Murray, Tenn., to amend the Federal Employees' Group Life Insurance Act of 1954; to Post Office and Civil Service Committee (p. 5592).

14. FORESTRY. H. R. 6347, by Rep. Miller, Calif., to recognize and facilitate the administration of the multiple uses of the national forests and other lands under the jurisdiction of the Secretary of Agriculture; to Agriculture Committee (p. 5592).

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued May 19, 1955
For actions of May 18, 1955
84th-1st, No. 82

CONTENTS

Apple prices.....2
Appropriations.....15
Budget.....7
Disaster relief.....6,16
Electrification.....8,9
Forestry.....14
Holiday.....12
Information.....11
Loans, farm.....6,16
Personnel.....4,13
Price supports.....5
Reclamation.....8
Records.....11
Reserve forces.....1
Salt-water research.....10
Travel expense.....3

HIGHLIGHTS: Senate committee ordered reported bill to reduce interest rates on disaster loans. Senate committee agreed to begin hearings on price support bill. House committee reported bill to prohibit USDA prediction of apple prices. House debated reserve forces bill. House committee ordered reported bill to increase per diem allowances.

HOUSE

1. RESERVE FORCES. Continued debate on H. R. 5297, to provide for strengthening of the Reserve Forces (pp. 5552-87).

2. APPLE PRICES. The Agriculture Committee reported with amendment H. R. 5188, to prohibit publication by the Government of any prediction with respect to apple prices (H. Rept. 599) (p. 5591).

3. TRAVEL EXPENSE. The Government Operations Committee ordered reported H. R. 6295, to provide an increase in maximum per diem allowances for subsistence and travel expenses (p. D434).

4. PERSONNEL. Received from the Civil Service Commission a proposed bill to "amend the Federal Employees' Group Life Insurance Act of 1954 (Public Law 598, 83d Cong.) as follows: 'That the third proviso of section 7 (d) of the Federal Employees' Group Life Insurance Act of 1954 is hereby repealed';" (re: formula for apportioning reinsurance); to Post Office and Civil Service Committee (p. 5591).

SENATE

5. PRICE SUPPORTS. The Daily Digest states that the Agriculture and Forestry Committee, "in executive session, adopted, by a vote of 8 to 7, a motion providing that the committee will begin hearings on price support legislation (including H. R. 12, to amend the Agricultural Act of 1949 with respect to price supports for basic agricultural commodities) as soon as practicable, and that these hearings may be terminated at any time by a majority vote of the committee" (p. D431).

facilities, services, etc. Makes other provisions regarding administration of the program by HEW. (p. 5637.)

3. BUDGETING. Passed without amendment S. 1805, which provides as follows: Establishes a Joint Committee on the Budget composed of members of the Appropriations Committees. The Joint Committee would obtain information for the Appropriations Committees, make recommendations to the legislative committees, hold hearings, make personnel available to the Appropriations Committees, etc. Requires that the annual budget include an analysis of all active long-term construction programs authorized by Congress, showing for each the total estimated cost, the estimated expenditures during prior, current, ensuing, and subsequent fiscal years, and that all grant-in-aid programs be included in the analysis covering grants of indefinite duration. Provides for members of the Budget Bureau staff to be assigned to attend executive sessions of the appropriations subcommittees as may be required. Directs the Comptroller General to make investigations and reports for the Joint Committee upon request. Provides that all committees recommending legislation which would authorize appropriations must include in their reports estimates as to the initial cost of the project or programs and their continuing cost over the succeeding 5 years, based on estimates from the department or agency primarily concerned, after review by the Budget Bureau. Authorizes the Joint Committee to recommend joint hearings on appropriation bills. (pp. 5637-9.)

4. TRAVEL EXPENSES. Passed with amendment S. 1580, to increase maximum per-diem and mileage allowances (pp. 5645-6). S. 1795, on the same subject, was indefinitely postponed. Agreed to an amendment by Sen. Johnson to decrease the maximum per-diem allowance, as provided in the committee bill, from $13 to $12. Sen. Johnson said this amendment was proposed because a $12 maximum was provided in the recent military pay bill. As passed by the Senate, the bill raises the maximum per-diem rate from $9 to $12, and the maximum mileage rates, for the use of private motorcycles and automobiles, from 4 and 7 cents to 6 and 10 cents, respectively.

5. FARM LOANS. The Agriculture and Forestry Committee reported without amendment S. 1755, to reduce from 5% to 3% the interest rate on disaster loans made by this Department (S. Rept. 363)(p. 5603).

6. RECLAMATION. The Interior and Insular Affairs Committee reported with amendments S. 180, to authorize the Washita River Basin reclamation project, Okla. (S.Rept. 361)(p. 5603).

The Committee also reported with amendment H. R. 103, to provide for construction of distribution systems on authorized Federal reclamation projects by irrigation districts and other public agencies (S. Rept. 362)(p. 5603).

7. POSTAL PAY BILL. Received from the President a veto message on this bill, S. 1 (pp. 5625-6)(S. Doc. 44).

8. FARM PROGRAM. Sen. Humphrey criticized the administration's farm program, claiming that it is adversely affecting farm income, and said insufficient progress has been made in foreign surplus disposal (pp. 5643-5).

9. WAR POWERS. Passed without amendment H. R. 4052, which authorizes the President to authorize Government departments and agencies, if engaged in national defense, to enter into contracts without bidding, etc. The bill would continue this authority, under Title II of the First War Powers Act, for 2 years, until June 30, 1957. (p. 5641.) This bill will now be sent to the President.

10. LEGISLATIVE PROGRAM. It was agreed that debate on the road bill will begin today and that a vote to override the veto of the postal pay bill will be taken

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued May 20, 1955
For actions of May 19, 1955
84th-1st, No. 83

CONTENTS

Acreage allotments.....22
Adjournment.....27
Appropriations.....21,27
Budgeting.....3
Contracts.....9
Educational exchange....44
Electrification
.....1,17,25,38,40
Family-size farms.....45
Farm income.....42
Farm program.....8,22
Feed.....34
Flammable fabrics.....49
Flood control.....43
Foreign aid.....39
Forestry.....13,35,46
Information.....30
Lands, public.....11
Legislative program..10,27
Loans, farm.....5,32
Marketing quotas.....29
Minerals.....36
Mining.....13
Natural resources.....33
Oleomargarine.....16
Organization.....21,28
Personnel.....14,28,31
Postal pay.....7,10
Price supports.22,23,41,42
Reclamation
.....6,17,19,22,27,40
Reserve forces.....18
Roads.....10,12
School milk.....26
Seed.....34
storage.....15
Small business.....48
Surplus commodities..19,27
Surplus property.....2,47
Trade, foreign.....34,
Travel expenses.....4,
Veterans' benefits.....32
War powers.....9
Wheat.....29,39

HIGHLIGHTS: Senate passed bills to: modify REA formula on funds; create Joint Budget Committee; increase per-diem and mileage allowances; provide additional surplus property for education and health agencies. Senate committee reported bill to reduce interest on disaster loans to 3%. House Rules Committee cleared bills for donations of surplus commodities and for loans to small reclamation projects. House committee reported bill to increase per-diem allowances. House debated reserve forces bill. Rep. Holifield criticized administration's farm program. Rep. Schoeppel introduced and discussed bill for 70% wheat price supports if quotas are rejected. Sen. Humphrey criticized administration's farm program.

SENATE

1. RURAL ELECTRIFICATION. Passed with amendment S. 153, to modify the formula for distribution of REA funds (pp. 5627-30). Agreed to a clarified version of the Humphrey amendment, which provides as follows: Retains but modifies the State allotment formula by making 25% (instead of 50%) of the annual loan fund appropriations subject to State allotment on the basis of unelectrified farms during the first six months of the fiscal year. Thereafter the unexpended or unobligated funds would be merged with the remaining 75% of the annual loan funds which would be available without allotment, with not more than 25% of unalloted annual loan funds to be employed in any one State, or in all of the Territories. Loan funds which are not loaned or obligated may be carried over to following years, under the amendment, but not more than 25% of such funds could be used in any one State or in all of the Territories.

2. SURPLUS PROPERTY. Passed as reported H. R. 3322, which provides as follows: Requires that surplus personal property carried in a working capital or similar fund in any Federal agency shall be considered for donation to educational or health institutions on the same basis as surplus personal property which is not carried in such a fund. Authorizes HEW to arrange for Federal and State agencies in carrying out their surplus-property responsibilities, to use each other's

Calendar No. 365

84TH CONGRESS, 1st Session | SENATE | REPORT No. 363

REDUCTION IN INTEREST RATES ON DISASTER LOANS

MAY 19 (legislative day, MAY 2), 1955.—Ordered to be printed

Mr. JOHNSTON of South Carolina, from the Committee on Agriculture and Forestry, submitted the following

REPORT

[To accompany S. 1755]

The Committee on Agriculture and Forestry, to whom was referred the bill (S. 1755) to amend the act of April 6, 1949, as amended, and the act of August 31, 1954, so as to provide that the rate of interest on certain loans made under such acts shall not exceed 3 percent per annum, having considered the same, report thereon with a recommendation that it do pass without amendment.

This bill would reduce to a maximum of 3 percent the interest rate now established administratively at 5 percent on production disaster loans under section 2 (a) of the act of April 6, 1949 (12 U. S. C. 1148a–2), economic disaster loans under section 2 (b) of that act, and emergency loans under Public Law 727, 83d Congress. The interest rate on these loans was increased from 3 percent to 5 percent on January 3, in part, because of evidence that some borrowers, attracted by the low interest rate, were succeeding in obtaining these loans even though they could obtain credit elsewhere, and that consequently these loans were becoming competitive with commercial loans.

These loans were never intended to be available to borrowers who could reasonably obtain credit elsewhere. Section 2 (a) of the act of April 6, 1949, is expressly designed to take care of a "need for agricultural credit not readily available from commercial banks, cooperative lending agencies, or other responsible sources." Section 2 (b) of that act and the first section of Public Law 727 contain even more positive language. These loans should not be available for expansion, and the county committees should exercise the utmost diligence in seeing that these loans are not made to farmers or stockmen able to obtain credit elsewhere. That may be difficult in many cases, but the fact that some ineligible borrowers may be able to obtain these loans does not warrant increasing the interest rate to the detriment of all borrowers.

The bill and the reasons for its enactment are more fully described in the attached subcommittee report.

Report of the Subcommittee on S. 1755 and S. 1764 Providing That the Rate of Interest on Emergency Loans Made by the Farmers' Home Administration Shall Not Exceed 3 Percent per Annum

The subcommittee, with the authority and at the direction of the chairman of the Committee on Agriculture, held hearings on Friday, May 6, on S. 1755 and on S. 1764, both of which provide that interest rates on emergency loans made by the Farmers' Home Administration shall not exceed 3 percent per annum. This legislation was prompted by action taken by the Department of Agriculture, effective January 3, 1955, which raised the interest rate on emergency loans made by the Farmers' Home Administration pursuant to sections 2 (a) and (b) of Public Law 38, 81st Congress, as amended by Public Law 115, 83d Congress, and on those made pursuant to Public Law 727, 83d Congress, from 3 to 5 percent per annum.

We have concluded, as a result of our hearings, that the prevailing opinion is that the interest rate was increased at an inappropriate time and, also, that it is in the best interests of a sound agriculture to establish future loans for emergency purposes at a rate of interest not to exceed 3 percent per annum. The subcommittee, therefore, reports S. 1755 with the recommendation that the full committee take favorable action thereon.

It is significant that the representatives of the Department of Agriculture, Mr. Kenneth L. Scott, Director of Agricultural Credit Services, Mr. Robert B. McLeaish, Administrator, Farmers' Home Administration, Mr. Henry C. Smith, Deputy Administrator, Farmers' Home Administration, and Mr. Frank Pollard, did not oppose the legislation, even though they were of the opinion that their original reasons for increasing the interest rate were justified and still valid. To the contrary, the Department's representatives stated that they wanted guidance from the Congress and, although it might be somewhat more difficult administratively, they were prepared to go along with the provisions of S. 1755 and S. 1764.

Representatives of the major farm organizations were unanimously in favor of the legislation. Mr. John C. Lynn, legislative director, represented the American Farm Bureau Federation; Mr. Lail Schmidt appeared on behalf of the National Farmers Union; and Mr. Lloyd C. Halvorson, economist, presented the view of the National Grange.

The hearings revealed that the Department of Agriculture had considered this particular increase in interest rates for nearly 2 years and finally decided that the action should be taken on January 3, 1955, for 2 principal reasons:

First, there was evidence that the 3 percent rate had resulted in a competitive situation which was believed to be contrary to the intent of Congress, i. e., some borrowers resorted to various means to convince the county committees of the Farmers' Home Administration that they were eligible for this emergency credit. The result was that the emergency loan was becoming competitive with local banks and cooperative lending institutions from which these particular farmers should be obtaining their required credit.

Second, the Department was mindful of actions taken by the Congress in setting the rate of interest on other types of Farmers' Home Administration loans. Public Law 731 of the 79th Congress, approved on August 14, 1946, authorized the making of production and subsistence loans at a rate of 5 percent. Public Law 115 of the 83d Congress, approved July 14, 1953, authorized the making of special livestock loans as an emergency measure and established the rate of 5 percent. Therefore, the increase in rate from 3 percent to 5 percent on production and economic loans resulted in a uniform rate on all emergency-type loans as well as the regular loans for operating funds made by the Farmers' Home Administration.

The subcommittee, while appreciating the validity of these reasons as stated by the Department's representatives, is of the opinion that the interest rate on these emergency loans was increased at a time when the farmers of this country could least afford it. The rate was increased at a time when thousands of our farmers were suffering severe economic setbacks—crop losses due to the drought and other climatic conditions, high costs of farming, including high prices of fertilizer, farm tools and equipment, labor, fuel, seed, and so forth. Many of these farmers, moreover, have experienced these adverse conditions over a period of several years. The subcommittee does not want to say that an increase in this interest rate will never be justified, but it does feel that if an increase could be justified at some other time, under some other conditions, it certainly does not seem to have been justified under the conditions existing in January of 1955.

We believe that it is the intention of Congress that emergency loans should be used to bridge emergency or disaster periods and that, when so used, the interest

rate should be as favorable to the borrowers as is economically possible. To state the view negatively, the subcommittee does not believe that a farmer in distress, who must go to the Farmers' Home Administration for the specific reason that he is ineligible for a loan from a private commercial banking institution, should be forced to pay a higher rate of interest than 3 percent per annum. This view is obviously consistent with the whole rationale employed by Congress in providing for emergency type loans.

OLIN D. JOHNSTON, *Chairman.*
CLINTON P. ANDERSON.
W. KERR SCOTT.
KARL E. MUNDT.
ANDREW F. SCHOEPPEL.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX, of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

ACT OF APRIL 6, 1949, AS AMENDED

SEC. 2. (a) The Secretary is hereby authorized to make loans to farmers and stockmen for any agricultural purpose in any area or region where he finds that a production disaster has caused a need for agricultural credit not readily available from commercial banks, cooperative lending agencies, or other responsible sources. Such loans shall be made at such [rates of interest] *rate of interest, not to exceed 3 per centum per annum,* and on such general terms and conditions as the Secretary shall prescribe for such area or region.

ECONOMIC DISASTER LOANS

(b) The Secretary is authorized in connection with any major disaster determined by the President to warrant assistance by the Federal Government under Public Law 875, Eighty-first Congress (42 U. S. C. 1855), as amended, to make loans to established farmers and stockmen for any agricultural purpose in the area covered by the determination of the President, if the Secretary finds that an economic disaster has also caused a need for agricultural credit that cannot be met for a temporary period from commercial banks, cooperative lending agencies, the Farmers' Home Administration under its regular loan programs, or other responsible sources. [The] *Such* loans shall be made at such [rates of interest] *rate of interest, not to exceed 3 per centum per annum,* and on such general terms as the Secretary shall prescribe for such area.

ACT OF AUGUST 31, 1954

SEC. 2. Loans under this Act shall (1) be made only to individuals or partnerships who are actively engaged in the operation of farms or ranches; (2) not exceed $15,000 in the case of any one loan; (3) not be made to any one borrower so as to increase the total indebtedness of such borrower under this Act to an amount in excess of $20,000 (including principal and accrued interest); (4) be made at such [rates of interest] *rate of interest, not to exceed 3 per centum per annum,* and on such terms and conditions as the Secretary shall prescribe for such area or areas; and (5) be secured by the personal obligation and available security of the producer or producers.

○

Calendar No. 365

84TH CONGRESS
1ST SESSION

S. 1755

[Report No. 363]

IN THE SENATE OF THE UNITED STATES

APRIL 20 (legislative day, APRIL 18), 1955

Mr. JOHNSTON of South Carolina introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

MAY 19 (legislative day, MAY 2), 1955

Reported by Mr. JOHNSTON of South Carolina, without amendment

A BILL

To amend the Act of April 6, 1949, as amended, and the Act of August 31, 1954, so as to provide that the rate of interest on certain loans made under such Acts shall not exceed 3 per centum per annum.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (a) of section 2 of the Act of April 6, 1949, as amended (63 Stat. 43; 12 U. S. C., sec. 1148a–2 (a)), is amended by striking out the last sentence of such subsection and inserting in lieu thereof the following: "Such loans shall be made at such rate of interest, not to exceed 3 per centum per annum, and on such general terms and

conditions as the Secretary shall prescribe for such area or region.".

SEC. 2. Subsection (b) of section 2 of the Act of April 6, 1949, as amended (12 U. S. C., sec. 1148a–2 (b)), is amended by striking out the last sentence of such subsection and inserting in lieu thereof the following: "Such loans shall be made at such rate of interest, not to exceed 3 per centum per annum, and on such general terms as the Secretary shall prescribe for such area.".

SEC. 3. Clause (4) of section 2 of the Act entitled "An Act to provide emergency credit", approved August 31, 1954 (68 Stat. 999), is amended to read as follows: "be made at such rate of interest, not to exceed 3 per centum per annum, and on such terms and conditions as the Secretary shall prescribe for such area or areas; and".

Calendar No. 365

84TH CONGRESS
1ST SESSION

S. 1755

[Report No. 363]

A BILL

To amend the Act of April 6, 1949, as amended, and the Act of August 31, 1954, so as to provide that the rate of interest on certain loans made under such Acts shall not exceed 3 per centum per annum.

By Mr. JOHNSTON of South Carolina

APRIL 20 (legislative day, APRIL 18), 1955
Read twice and referred to the Committee on Agriculture and Forestry

MAY 19 (legislative day, MAY 2), 1955
Reported without amendment

LIBRARY
OF THE
MUSEUM OF COMPARATIVE ZOOLOGY
HARVARD UNIVERSITY

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued May 27, 1955
For actions of May 26, 1955
84th-1st, No. 88

CONTENTS

Animal disease.....2
Appropriations..7799,12,15
Dairy industry.....24
Electrification.....8,11
Farm-City.....22
Farm methods.....18
Food.....26
Foreign aid.....5
Forestry.....4,12
Housing.....9
Labor, farm.....11,16
Lands.....4
Legislative program.....9
Loans, farm.....1
Low-income farmers.....12
Mexican fence.....2
Minerals.....19
Mutual security.....5,9
Newsprint.....13
Organization.....14
Personnel.....6,14,20
Postal pay.....9
Price supports.....25
Public works.....21
Reclamation.....8,10
Research.....12,26
Roads.....23
Salt-water research.....3
Security.....6
Territories and possessions.....10
Veterans' benefits.....17
Wheat.....27

HIGHLIGHTS: Senate passed bills to:decrease interest to 3% on disaster loans, expand salt-water research, authorize Mexican fence, and authorize purchase of Aztec forest lands. Senate committee ordered reported mutual security bill. Sen. Humphrey urged re-evaluation of Ladejinsky case. House passed bill to authorize loans to small reclamation projects with amendment to give USDA responsibility in eastern States. House Rules Committee cleared bills to repeal REA formula and continue Mexican farm labor program. House received various supplemental appropriation estimates.

SENATE

1. FARM LOANS. Passed without amendment S. 1755, to decrease from 5% to 3% the interest rate on USDA disaster loans (pp. 6035-7).

2. MEXICAN FENCE. Passed without amendment S. 76, which authorizes appropriation of $3,500,000 for completion of a Mexican boundary fence by the Boundary Commission. Sen. Anderson stated that "the Department of Agriculture has now become very much interested in the passage of this proposed legislation" because of animal disease in Mexico and that "the probability is that the Department of Agriculture will assume responsibility" for the project. (p. 6054.)

3. SALT-WATER RESEARCH. Passed without amendment H. R. 2126, to continue the Interior Department program of research on making fresh water from salt water through June 30, 1963; to increase the appropriation authorization from $2,000,000 to $6,000,000; to increase the limitation on departmental expenses from $500,000 to $1,500,000; and to permit $500,000 to be expended for research and development in Federal laboratories(pp. 6053-4).

4. FORESTRY. Passed as reported S. 55, to authorize purchase of 98,000 acres of Aztec Land and Cattle Co. lands, in Ariz., which would be administered as national forest lands. These lands have been so administered in the past, but

through court action it was determined that they belonged to the Aztec Co. The bill provides tha the National Forest Reservation Commission set the amount to be paid, not to exceed $7,409,263. (pp. 6055-63.)

Passed as reported S. 1464, to authorize the Interior Department to acquire rights-of-way and existing connecting roads adjacent to public lands to provide timber access roads to public lands under Interior's jurisdiction (pp. 6049-50).

5. FOREIGN AID. The Foreign Relations Committee, by a 13-2 vote, ordered reported the mutual security bill, with authorization of $3.408 billion (p. D473).

6. PERSONNEL. Sen. Humphrey commended creation of a permanent security review committee in USDA, stated that such a committee should have been established earlier, requested a re-evaluation of the Ladejinsky case by the committee, and inserted a Washington Evening Star article on this matter (pp. 6067-8).

The Post Office and Civil Service Committee reported with amendments S. 2061, a new postal pay bill (S. Rept. 382)(p. 6027).

7. STATE, JUSTICE, JUDICIARY APPROPRIATION BILL, 1956. The Appropriations Committee reported with amendments this bill, H. R. 5502 (S. Rept. 378)(p. 6027). The bill was made the unfinished business of the Senate (p. 6055).

8. RECLAMATION. Passed as reported S. 180, to authorize the Washita River Basin project, Okla. (pp. 6038-9).

Passed as reported H. R. 103, to provide for construction of distribution systems on authorized Federal reclamation projects by irrigation districts and other public agencies (p. 6049).

Sen. Neuberger spoke in favor of the Hells Canyon Dam proposal and mentioned its rural-electrification value (pp. 6029-30).

9. LEGISLATIVE PROGRAM, as announced by Sen. Johnson: Today, no legislative business; Tues., State-Justice appropriation bill and probably the mutual security bill; "early consideration" of the new postal pay bill; and probably next week, housing bill (pp. 6057-8).

HOUSE

10. RECLAMATION. Passed, 166 to 48, with amendments H. R. 5881, to provide for Federal cooperation in non-Federal projects and for participation by non-Federal agencies in Federal projects (pp. 6082-6108). Agreed, 85 to 23, to an amendment by Rep. Jones, Ala., authorizing the Secretary of Agriculture to administer the proposed program in the eastern States (pp. 6103-5). Also agreed to an amendment by Rep. Aspinall to provide for submission of projects to the entire Congress instead of the Interior and Insular Affairs Committees (pp. 6105-6). Rejected, 62 to 229, a motion by Rep. Hoeven to recommit the bill to limit the scope of the bill to the 17 western reclamation States (p. 6107). Previously rejected, 27 to 57, an amendment by Rep. Saylor having the same purpose as the Hoeven motion (pp. 6098-6102) and also an amendment by Rep. Saylor to extend the bill to Puerto Rico, Virgin Islands, Guam, and American Samoa (p. 6103). Rejected, 33-54, a Saylor amendment (to the Jones amendment) to include Texas as one of the western reclamation States (p. 6105).

11. FARM LABOR; ELECTRIFICATION. The House Rules Committee reported resolutions for the consideration of H. R. 3822, to provide for continuation of the Mexican farm labor program, and H. R. 5376, to amend the REA funds-distribution formula (pp. 6082, 6078-9).

ment of the amendments and third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

REDUCTION IN INTEREST RATES ON DISASTER LOANS

Mr. JOHNSON of Texas. Mr. President, I move that the Senate proceed to the consideration of Order No. 365, S. 1755.

The ACTING PRESIDENT pro tempore. The Secretary will state the bill by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (S. 1755) to amend the act of April 6, 1949, as amended, and the act of August 31, 1954, so as to provide that the rate of interest on certain loans made under such acts shall not exceed 3 percent per annum.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the motion of the Senator from Texas.

The motion was agreed to; and the Senate proceeded to consider the bill.

Mr. JOHNSTON of South Carolina. Mr. President, I acted as chairman of the subcommittee which considered this bill. It was reported unanimously by the Committee on Agriculture and Forestry. I do not believe there is any need for my discussing it in detail. The interest rate on certain disaster loans originally was set at 3 percent. That interest rate remained in effect until January of this year, when it was increased to 5 percent. At the present time the Department of Agriculture has the authority to regulate interest rates on these loans. The committee feels that on disaster loans the interest rate should be fixed at 3 percent.

Earlier in the session I spoke out against the increase in the interest rate on disaster loans.

Mr. DOUGLAS. Mr. President, will the Senator yield?

Mr. JOHNSTON of South Carolina. I yield.

Mr. DOUGLAS. Did I correctly understand the Senator from South Carolina to say that the interest rate on disaster loans was formerly 3 percent and that it was increased to 5 percent in January of this year?

Mr. JOHNSTON of South Carolina. It was raised in January of this year.

Mr. DOUGLAS. Who raised the interest rate?

Mr. JOHNSTON of South Carolina. It was done by the Secretary of Agriculture. The rate was raised by the Department of Agriculture.

Mr. DOUGLAS. Mr. Benson showed his affection for the farmers of America by increasing the interest rate from 3 percent to 5 percent on disaster loans; is that correct?

Mr. JOHNSTON of South Carolina. Yes; that is correct. I have spoken out against the increase. That is what was done.

Mr. DOUGLAS. The Senator from South Carolina is now trying to undo the injustice which was perpetrated on the American farmers by the Secretary of Agriculture; is that correct?

Mr. JOHNSTON of South Carolina. That is correct. This is my bill. I should also like to say that it was the unanimous opinion of the committee that the rate should be set at 3 percent.

Mr. DOUGLAS. The Senator from South Carolina is greatly to be commended for his action. It is only regrettable that his activities had to be called into play to correct an injustice perpetrated on the American farmers by the Secretary of Agriculture.

Mr. JOHNSTON of South Carolina. I thank the Senator.

Mr. WILLIAMS. Mr. President, will the Senator yield?

Mr. JOHNSTON of South Carolina. I yield.

Mr. WILLIAMS. As the Senator from South Carolina has pointed out, the bill was reported to the Senate unanimously by the Committee on Agriculture and Forestry. In reference to the point raised by the Senator from Illinois [Mr. DOUGLAS] it should be noted that the Committee on Agriculture and Forestry felt the interest rate on disaster loans should not have been raised to 5 percent by the Department of Agriculture. However, the Department of Agriculture raised the interest rate to 5 percent under a law which had been passed by Congress, of which the Senator from Illinois and I are Members. Now the interest rate is being rolled back by the same Congress. I am not trying to excuse the action of the Department of Agriculture, but I believe it should be made clear that the action was taken by the Department in accordance with a law passed by Congress, which made it possible for the Department to raise the interest rate to 5 percent.

The Secretary of Agriculture is perfectly willing that Congress should take the proposed action. Therefore, Mr. President, in all fairness to the Secretary of Agriculture, I think it should be stated that we in Congress established the policy under which it was possible for the Department of Agriculture to increase the rate from 3 percent to 5 percent. In other words, the Secretary of Agriculture decided to establish a uniform pattern on these loans, and put them all in the 5-percent category. I believe in the final analysis it is our responsibility. I am glad the Committee on Agriculture and Forestry has reported the bill unanimously. I am sure Congress will wish to pass it.

Mr. DOUGLAS. Mr. President, will the Senator yield?

Mr. JOHNSTON of South Carolina. I yield.

Mr. DOUGLAS. I should like to ask the Senator from South Carolina whether the increase in the interest rate from 3 percent to 5 percent in January of this year was mandatory and compelled by the law, or whether optional powers were granted to the Secretary of Agriculture, which he took advantage of to increase the interest rate.

Mr. JOHNSTON of South Carolina. I will answer that question in this way: In the hearings before our subcommittee, it was brought out that the subject of the interest rate had been under discussion in the Department of Agriculture for nearly 2 years. Finally, the Department decided to place these loans in the 5-percent category.

Mr. DOUGLAS. It was not compulsory for the Secretary of Agriculture to increase the interest rate, was it?

Mr. JOHNSTON of South Carolina. It was not compulsory.

Mr. DOUGLAS. To the contrary, it was a discretionary decision which he made?

Mr. JOHNSTON of South Carolina. The Senator is correct. The Department decided it would put all disaster loans in the 5-percent category so that they, the Department, would have no trouble in distinguishing between the different kinds of loans.

Mr. WILLIAMS. Mr. President, will the Senator yield?

Mr. JOHNSTON of South Carolina. I yield.

Mr. WILLIAMS. Is it not correct to say that the Secretary of Agriculture, in setting the interest rate on disaster loans at 5 percent, put such loans in the same category as other loans, and thereby established a uniform pattern, with the thought that if Congress wanted to give special consideration to this group, it should pass appropriate legislation to that effect?

Mr. JOHNSTON of South Carolina. Congress had enacted laws setting the interest rate at 5 percent on other loans. The Secretary of Agriculture thought it best to set the interest rate on disaster loans at 5 percent. Instead of distinguishing between the different types of loans, he thought it would be best to set the interest at 5 percent on all of them. According to the testimony, which I hold in my hand, he had the subject under discussion for 2 years before he decided to raise the interest rate on disaster loans from 3 percent to 5 percent.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. JOHNSTON of South Carolina. I yield.

Mr. AIKEN. I may be repeating what has already been said, because I have just come to the floor from a committee hearing. I believe it should be made clear that the interest rate on disaster loans was not set by the Secretary of Agriculture at 5 percent out of pure meanness on his part, but was set at 5 percent in order to have the interest rate on certain types of loans made uniform.

Under legislation enacted by Congress, livestock producers suffering disaster were required to pay 5-percent interest on their loans. Farmers Home Administration loans also were made subject to 5-percent interest.

Therefore, in fairness to the livestock producers, the interest rate was set at 5 percent for the type of loans made to farmers who had also suffered disaster.

I do not know that there is any objection on the part of the Department of Agriculture of Congress setting the rate at 3 percent if it determines that should be the policy.

It was found in connection with some of the 3-percent money that abuses had

taken place, and that some persons who had borrowed money at 3 percent were actually borrowing to expand their business, thus providing greater competition for those who were paying 5 percent, or even more, in the event they were borrowing from private banks.

Mr. JOHNSTON of South Carolina. What the Senator from Vermont has said is entirely correct.

Mr. AIKEN. I think the Department will be very happy to have Congress fix the policy and the interest rate.

Mr. JOHNSTON of South Carolina. The Department did not oppose the reduction from 5 to 3 percent. They said that if Congress thought it was the proper thing to do, they would be glad to go along.

Mr. AIKEN. The increase was made originally in order to have a uniform rate of interest for different types of loans.

Mr. MORSE. Mr. President, will the Senator from South Carolina yield?

Mr. JOHNSTON of South Carolina. I yield.

Mr. MORSE. Was it necessary, under the law, for the Secretary of Agriculture to increase the rate of interest?

Mr. JOHNSTON of South Carolina. It was not necessary. It was a discretionary matter with the Secretary of Agriculture.

Mr. MORSE. When he increased the rate to 5 percent in order to put several types of loans on a comparable basis, referring to the type of loan about which the Senator from Vermont has been speaking, it was not because of any actual mandate but because he thought it would be good policy to have the same rate apply to this type of loans?

Mr. JOHNSTON of South Carolina. That is entirely correct. I presume the idea was that the loans would be easier to administer.

Mr. MORSE. Did the Secretary of Agriculture make public the increase in interest rate at the time he raised the rate?

Mr. JOHNSTON of South Carolina. I would answer the Senator by saying that the disaster came at a subsequent date, and it was some 2 or 3 months later when it was ascertained that the interest rate had been raised.

Mr. MORSE. Of course, we must be on guard against possible abuse, but the responsibility rests on the lending agency to see to it that each loan is a deserved one and is being made to fill a specific need. If the person who receives the loan violates his understanding with the department which makes the loan, are there any administrative procedures whereby the loan can be canceled?

Mr. AIKEN. Mr. President, if I may answer that question, I think there are such cases going back over a number of years. It is something of a problem. There are always borrowers who violate the conditions of a loan, but it is not so easy as it might appear simply to collect the money and get the Government out of the transaction.

Mr. MORSE. I understand that.

Mr. AIKEN. I have not read the report accompanying the bill, but it was agreed in the committee that we should state that we expect the department or agency making such loans to exercise unusual diligence to see to it that the privilege of securing these loans is not abused. There actually have been some cases of disaster loans having been used not for recovery, but for expansion. They may have been used for recovery initially, but when some of those to whom the loans were made had fully recovered, they desired to expand. That is something we all want to do, of course. The desire for expansion overwhelmed them, and they continued to use the low-cost money for expansion. I have heard that in some of the disaster-stricken counties there was actually an increase of 700,000 head of livestock. It is difficult to overcome that situation. Lending agencies do not like to say "No" to a man who is suffering from a disaster.

Mr. MORSE. I sympathize with the comments made by the Senator from Vermont. The point I was seeking to make is that I do not think we can justify a high interest rate as a policeman in these matters. I think we must determine the public policy question as to whether there is need for a loan in these cases, and, if so, then we should deal with the question of a low-interest rate basis. The committee report apparently holds that we must make it very clear to the administrators that we expect them to exercise extraordinary vigilance in seeing to it that a loan is not obtained for expansion purposes. I think the Senate has a duty to make these loans available for legitimate cases on a low-interest rate basis.

Mr. JOHNSTON of South Carolina. The Department said that the reason why the rate was increased was that some persons had misused it. The committee said to the Department, "You must be careful in this matter. We will reduce the rate to 3 percent, but it is up to you to see that it is not abused."

Mr. AIKEN. Mr. President, will the Senator from South Carolina yield?

Mr. JOHNSTON of South Carolina. I yield.

Mr. AIKEN. The livestock operators are paying back their loans very rapidly. I understand that of some $55 million worth of loans which were made, $25 million of them have already been paid back. Those are rough figures, they may not be exact. But there has been a recovery in the cattle industry. The livestock producers have been making fewer loans recently; so I think the need is perhaps not so acute as it was.

Mr. JOHNSTON of South Carolina. I am glad the Senator has brought that out. Such emergency loans have been paid back in a higher percentage than have any other loans.

Mr. AIKEN. I agree that 3 percent is a much fairer rate of interest.

Mr. LANGER. Mr. President, will the Senator from South Carolina yield?

Mr. JOHNSTON of South Carolina. I yield.

Mr. LANGER. Mr. President, I desire to associate myself with those who are in favor of the passage of this bill. As every Member of the Senate knows, North Dakota has been declared a disaster area. I have received numerous letters protesting the increase in the interest rate from 3 percent to 5 percent. The demand for this bill is universal. I know of no one who has opposed it.

Mr. JOHNSTON of South Carolina. Mr. President, I appreciate the remarks of the Senator from North Dakota. He is always endeavoring to help the man who needs assistance.

Mr. THURMOND. Mr. President, will my colleague yield?

Mr. JOHNSTON of South Carolina. I yield.

Mr. THURMOND. Mr. President, I rise in support of the bill. My colleague and I introduced bills on this subject on the same day, and they were considered by the Committee on Agriculture and Forestry. I went before the committee and made a statement at that time. It is my feeling that every consideration should be given to the farmers of the United States. I know of no segment of our population which receives so little as do the farmers. I can see no objection to this bill. Only those persons who cannot obtain loans from other sources are eligible for these loans. Certainly, if a class of people who are among the lowest income group have suffered disaster, they should be allowed to obtain these loans at a reasonable rate of interest.

It is my understanding that the Department of Agriculture does not oppose the bill. Mr. Scott, who attended the hearing when I went before the committee, stated to me that they did not oppose the bill. I certainly hope the Senate will pass it, because the difference in interest rate will be a great help to the small farmers. Anything we can do to help them in their distress this great country is able to do, and, in my opinion, it should do.

Mr. President, I support the bill, and I hope the Senate will see fit to pass it.

Mr. JOHNSTON of South Carolina. Mr. President, I ask unanimous consent to have printed in the RECORD at this point an explanation of the bill.

There being no objection, the explanation was ordered to be printed in the RECORD, as follows:

EXPLANATION OF S. 1755

On January 3 the interest rate on certain emergency loans to farmers was increased from 3 percent to 5 percent. This bill would reduce the interest rate on these loans back to a maximum of 3 percent.

Three types of loans are covered by the bill:

First, loans to farmers who have suffered from area wide production disasters;

Second, loans to farmers located in areas where major disasters covered by Public Law 875 of the 81st Congress have been coupled with economic disasters (as where drought has been coupled with forced sales of stock and a sharp break in market prices); and

Third, loans of the type covered by Public Law 727 of the 83d Congress, which provided for loans during the period ending this June 30 in areas where normal credit is temporarily not available.

The Department raised the interest rate on January 3 on these loans to prevent them from becoming competitive with commercial loans, and because the rate of 5 percent had been fixed by Congress for production and subsistence loans and special livestock

loans. These loans were never intended to be competitive with commercial loans, and every effort should be made to see that they are not made to persons who can obtain ordinary commercial loans. However, the committee did not believe that the interest rate should be raised to accomplish this purpose, thereby penalizing all of the farmers who have suffered these disasters, are entitled to these loans, and can ill afford to pay the additional interest.

The ACTING PRESIDENT pro tempore. The bill is open to amendment.

If there be no amendment to be proposed, the question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That subsection (a) of section 2 of the act of April 6, 1949, as amended (63 Stat. 43; 12 U. S. C., sec. 1148a–2 (a)), is amended by striking out the last sentence of such subsection and inserting in lieu thereof the following: "Such loans shall be made at such rate of interest, not to exceed 3 percent per annum, and on such general terms and conditions as the Secretary shall prescribe for such area or region."

SEC. 2. Subsection (b) of section 2 of the act of April 6, 1949, as amended (12 U. S. C., sec. 1148a–2 (b)), is amended by striking out the last sentence of such subsection and inserting in lieu thereof the following: "Such loans shall be made at such rate of interest, not to exceed 3 percent per annum, and on such general terms as the Secretary shall prescribe for such area.".

SEC. 3. Clause (4) of section 2 of the act entitled "An act to provide emergency credit," approved August 31, 1954 (68 Stat. 999), is amended to read as follows: "be made at such rate of interest, not to exceed 3 percent per annum, and on such terms and conditions as the Secretary shall prescribe for such area or areas; and."

STATUS OF VISA APPLICATIONS UNDER THE REFUGEE RELIEF ACT OF 1953

Mr. LANGER. Mr. President, as chairman of the Subcommittee on Refugees, Escapees, and Expellees, I am very pleased by the figures shown on this week's report from the Department of State dated May 20, 1955, showing the status of visa applications under the Refugee Relief Act of 1953. According to this information, there has now been issued a total of 30,652 visas which are distributed as follows:

Italy	19,015
Greece	5,126
Netherlands	566
Germany	2,166
Austria	2,502
Far East	734
Others	63

Shortly after I became chairman of the subcommittee, it was forcibly brought to my attention that Public Law 203, commonly known as the Refugee Relief Act of 1953, was well on its way to becoming a complete failure, if it had not already become one. Our Subcommittee on Refugees held hearings on the administration of this act on April 13, 14, 15, 20, 21, and 22, 1955, which were recessed subject to the call of the Chair.

Prior to the date of these hearings, the statistical report from the Department of State, dated March 18, 1955, shows the total number of visas issued as only 22,887 which were distributed as follows:

Italy	15,548
Greece	3,602
Netherlands	468
Germany	977
Austria	1,573
Far East	482
Others	237

From the foregoing you will readily see that between March 18, 1955, and May 20, 1955, 7,765 visas have been issued—the greatest number in any single period. I believe that the speeding up of the refugee relief program has been due, at least in part, to the full and complete public hearings which the subcommittee has been conducting.

I am especially grateful to the distinguished Senator from Utah [Mr. WATKINS], the distinguished Senator from Missouri [Mr. HENNINGS], and the distinguished Senator from South Carolina [Mr. JOHNSTON] for the assistance which they gave to the subcommittee.

The subcommittee will continue to work on the matter and to submit weekly reports to the Senate, showing the progress which is being made.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD the statistical report from the Department of State, dated May 20, 1955.

There being no objection, the report was ordered to be printed in the RECORD, as follows:

Refugee relief program—Status of visa applications, May 20, 1955

	Italy	Greece	Netherlands	Germany	Austria	France	Great Britain	Belgium	Far East	Others	Total
1. Applicants notified of documents required	64,592	18,023	1,305	20,668	10,266	1,817	785	1,302	2,375	431	121,564
2. Visas issued	19,015	5,126	566	2,166	2,502	112	139	229	734	63	30,652
3. Visas refused	1,540	711	27	1,951	875	137	94	17	573	22	5,947
4. Canceled action	547	114	125	943	582	67	121	104	43	43	2,689
5. Applicants still in process	43,490	12,072	587	15,608	6,307	1,501	431	952	1,025	303	82,276
6. Assurances received by Administrator	6,085	9,296	339	11,792	4,496	1,142	837	614	2,812	1,239	38,652
7. Assurances canceled/returned	542	609	96	673	127	74	107	10	361	329	2,928
8. Assurances verified and sent to field	5,163	8,206	192	10,538	4,172	980	650	560	2,251	798	33,500

NOTE.—All figures cumulative. Items 6, 7, and 8 reflect principal aliens only. State.—FD, Washington, D. C.

Mr. DOUGLAS. Mr. President, will the Senator from North Dakota yield for a question?

Mr. LANGER. Certainly.

Mr. DOUGLAS. I think the Senator from North Dakota is to be congratulated for his work in speeding up the activities of the Department of State in granting visas. But I wonder if the Senator will tell us whether the Department of State has reported on the number of refugees actually admitted to the United States.

Mr. LANGER. The report will disclose that the Department of State is responsible only for the issuing of visas. When a visa has been issued by Scott McLeod, his job is done. After that it is up to the Immigration and Naturalization Service.

If the distinguished Senator from Illinois is interested in knowing the number of admittances, I shall be glad to furnish that information to the Senate when I make my next report.

Because of the long delay after some of the visas had been issued, some of the persons who received them refused to come to the United States. It is astounding to learn of the number who have refused to come, chiefly from Germany and Austria, where economic conditions have become much improved. But that is not the fault of Scott McLeod or the Department of State. It is true that economic conditions abroad have changed.

Certainly a mighty fine job has been done in the issuance of the additional visas, as I have described.

Mr. DOUGLAS. Is it not true that only a very few thousand have actually come to the United States?

Mr. LANGER. That is true only as to those who are actual refugees, not as to relatives of persons who are already here. They have been coming to the United States. The latest figures I have show that some 22,000 or 23,000 have come.

Mr. KILGORE. Mr. President, will the Senator yield?

Mr. LANGER. I yield to the distinguished chairman of the Committee on the Judiciary.

Mr. KILGORE. A report to the Committee on Appropriations, which I intend to file today, discloses that as of May 20, 1955, 30,652 visas had been issued, and that 21,792 persons had entered the United States.

Mr. DOUGLAS. How many of those persons were relatives, and how many were refugees?

Mr. KILGORE. Probably between 17,000 and 18,000 were relatives.

Mr. DOUGLAS. Only about 3,000 or 4,000 were refugees.

Mr. LANGER. I want the Senator from Illinois to know that at the present time the American consuls are all on the job. They have been contacted by investigators from the Refugee Commission, and there has been a very substan-

tial increase, percentagewise, in the number of visas issued to refugees.

Mr. DOUGLAS. I think the distinguished Senator from North Dakota and his colleagues deserve great credit in galvanizing a heretofore inoperative program into some degree of effect.

I think perhaps the votive offering of Mr. Corsi, which was laid upon the altar, may also have stimulated the Department of State into taking some action.

I am merely hoping that the facts about the relatively small numbers of refugees being admitted may be borne in mind. I think a great deal of improvement is still needed.

WASHITA RIVER BASIN RECLAMATION PROJECT, OKLAHOMA

Mr. JOHNSON of Texas. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 367, Senate bill 180. I call the motion to the attention of the distinguished Senator from Oklahoma [Mr. KERR] and the distinguished Senator from New Mexico [Mr. ANDERSON].

The ACTING PRESIDENT pro tempore. The clerk will state the bill by title.

The CHIEF CLERK. A bill (S. 180) to authorize the Secretary of the Interior to construct, operate, and maintain the Washita River Basin reclamation project, Oklahoma.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the motion of the Senator from Texas.

The motion was agreed to; and the Senate proceeded to consider the bill which had been reported from the Committee on Interior and Insular Affairs, with amendments, on page 2, line 13, after the numeral "2", to strike out:

In constructing, operating, and maintaining the Washita project, the Secretary shall allocate proper costs thereof under the following conditions:

(a) Allocations to flood control, recreation, and the preservation and propagation of fish and wildlife shall be nonreturnable.

(b) Allocations to municipal water supply, including domestic, manufacturing, and industrial uses, shall be repayable through contracts with municipal corporations. Such contracts shall be precedent to the commencement of construction of any project unit affecting the individual municipalities, and shall provide for repayment of construction costs in not to exceed 50 years from the dates water is first delivered, and payments of construction costs shall include interest on unamortized balances at a rate equal to the average rate paid by the United States on long-term loans outstanding during the period of the construction, except that estimates may be used for minor costs not incurred prior to delivery of water.

And insert in lieu thereof:

In constructing, operating, and maintaining the Washita project, the Secretary shall allocate proper costs thereof in accordance with the methods used in determining the allocations made on pages 68, 69, and 70, of House Document 219, 83d Congress, but with appropriate adjustments for changes in actual cost of construction, under the following conditions:

(a) Allocations to flood control, recreation, and the preservation and propagation of fish and wildlife shall be nonreturnable.

(b) Allocations to municipal water supply, including domestic, manufacturing, and industrial uses, shall be repayable through contracts with municipal corporations, or other organizations as defined by section 2, Reclamation Project Act of 1939 (53 Stat. 1187). Such contracts shall be precedent to the commencement of construction of any project unit affecting the individual municipalities, and shall provide for repayment of construction costs allocated to municipal water supply in not to exceed 50 years from the dates water is first delivered for that purpose, and payments of said construction costs shall include interest on unamortizcd balances of that allocation at a rate equal to the average rate (which rate shall be certified by the Secretary of the Treasury) paid by the United States on its marketable long-term loans outstanding on the date of this act.

On page 4, after line 17, to strike out:

Contracts with irrigation water users shall provide for repayment in accordance with reclamation laws (act of June 17, 1902; 32 Stat. 388, and acts amendatory thereof or supplemcntary thereto), excepting section 9 (e) of the Reclamation Project Act of 1939, within a period of 55 years as to each irrigation unit, from the date water is first delivered thereto.

And insert in lieu thereof:

Any contract entered into under section 9, subsection (d) of the Reclamation Project Act of 1939, for payment of those portions of the costs of constructing, operating, and maintaining the Washita project which are properly allocable to irrigation and which are assigned to be paid by the contracting organization shall provide for the repayment of the portion of the construction cost of the project assigned to any contract unit or, if the contract unit be divided into two or more blocks, to any such block over a period of not more than 55 years, exclusive of any permissible development period, or as near thereto as is consistent with the adoption and operation of a variable payment formula which, being based on full repayment within the period stated under average conditions, permits variance in the required annual payments in the light of economic factors pertinent to the ability of the organization to pay: *Provided,* That nothing in this section is intended to preclude the temporary furnishing of irrigation water under contracts appropriate for that purpose from Foss and Fort Cobb Reservoirs with or without the construction of specific irrigation works.

On page 6, after line 20, to strike out:

SEC. 6. There are hereby authorized to be appropriated out of any moneys in the Treasury not otherwise appropriated, $37,429,000 to carry out the purposes of this act.

And insert in lieu thereof:

SEC. 6. There is hereby authorized to be appropriated for construction of the works authorized to be constructed by section 1 of this act the sum of $40,600,000 plus such additional amount, if any, as may be required by reason of changes in the costs of construction of the types involved in the Washita River Basin project as shown by engineering indexes. There are also authorized to be appropriated such sums as may be required for the operation and maintenance of said works.

So as to make the bill read:

Be it enacted, etc., That the Secretary of the Interior is authorized to construct, operate, and maintain the Washita River Basin reclamation project, Oklahoma, in accordance with the Federal reclamation laws (act of June 17, 1902, and acts amendatory thercof or supplementary thereto), except so far as those laws are inconsistent with this act, for the principal purposes of storing, regulating, and furnishing water for municipal, domestic, and industrial use, and for the irrigation of approximately 26,000 acres of land and of controlling floods and, as incidents to the foregoing for the additional purposes of regulating the flow of the Washita River, providing for the preservation and propagation of fish and wildlife, and of enhancing recreational opportunities. The Washita project shall consist of the following principal works: A reservoir at or near the Foss site on the main stem of the Washita River; a reservoir at or near the Fort Cobb site on Pond (Cobb) Creek; and canals, pipelines, and other conduits for furnishing water for municipal, domestic, and industrial use, and for irrigation.

SEC. 2. In constructing, operating, and maintaining the Washita project, the Secretary shall allocate proper costs thereof in accordance with the methods used in determining the allocations made on pages 68, 69, and 70, of House Document 219, 83d Congress, but with appropriate adjustments for changes in actual cost of construction, under the following conditions:

(a) Allocations to flood control, recreation, and the preservation and propagation of fish and wildlife shall be nonreturnable.

(b) Allocations to municipal water supply, including domestic, manufacturing, and industrial uses, shall be repayable through contracts with municipal corporations, or other organizations as defined by section 2, Reclamation Project Act of 1939 (53 Stat. 1187). Such contracts shall be precedent to the commencement of construction of any project unit affecting the individual municipalities, and shall provide for repayment of construction costs allocated to municipal water supply in not to exceed 50 years from the dates water is first delivered for that purpose, and payments of said construction costs shall include interest on unamortized balances of that allocation at a rate equal to the average rate (which rate shall be certified by the Secrctary of the Treasury) paid by the United States on its marketable long-term loans outstanding on the date of this act: *Provided,* That such contracts shall provide that annual municipal repayments shall continue at the same rates until the costs of Foss and Fort Cobb Reservoirs allocatcd to irrigation are fully repaid: *Provided further,* That if irrigation works are constructed, as hereinafter provided, said annual repayment rates shall continue so long as the costs of irrigation works are unpaid.

(c) The authorization for construction of the irrigation works, exclusive of Foss and Fort Cobb Reservoirs, shall be limited, as to each reservoir, to a period of 10 ycars from the commencement of the delivery of municipal water from the reservoir on which the irrigation unit is dependent. Any contract entered into under section 9, subsection (d) of the Reclamation Project Act of 1939, for payment of those portions of the costs of constructing, operating, and maintaining the Washita project which are properly allocable to irrigation and which are assigned to be paid by the contracting organization shall provide for the repayment of the portion of the construction cost of the project assigned to any contract unit or, if the contract unit be divided into two or more blocks, to any such block over a period of not more than 55 years, exclusive of any permissible development period, or as near thereto as is consistent with the adoption and operation of a variable payment formula which, being based on full repayment within the period stated under average conditions, permits variance in the required annual payments in the light of economic factors pertinent to the ability of the organization to

84TH CONGRESS
1ST SESSION

S. 1755

IN THE HOUSE OF REPRESENTATIVES

MAY 27, 1955

Referred to the Committee on Agriculture

AN ACT

To amend the Act of April 6, 1949, as amended, and the Act of August 31, 1954, so as to provide that the rate of interest on certain loans made under such Acts shall not exceed 3 per centum per annum.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (a) of section 2 of the Act of April 6, 1949, as amended (63 Stat. 43; 12 U. S. C., sec. 1148a–2 (a)), is amended by striking out the last sentence of such subsection and inserting in lieu thereof the following: "Such loans shall be made at such rate of interest, not to exceed 3 per centum per annum, and on such general terms and

conditions as the Secretary shall prescribe for such area or region.".

SEC. 2. Subsection (b) of section 2 of the Act of April 6, 1949, as amended (12 U. S. C., sec. 1148a–2 (b)), is amended by striking out the last sentence of such subsection and inserting in lieu thereof the following: "Such loans shall be made at such rate of interest, not to exceed 3 per centum per annum, and on such general terms as the Secretary shall prescribe for such area.".

SEC. 3. Clause (4) of section 2 of the Act entitled "An Act to provide emergency credit", approved August 31, 1954 (68 Stat. 999), is amended to read as follows: "be made at such rate of interest, not to exceed 3 per centum per annum, and on such terms and conditions as the Secretary shall prescribe for such area or areas; and".

Passed the Senate May 26 (legislative day, May 2), 1955.

Attest: FELTON M. JOHNSTON,

Secretary.

84TH CONGRESS
1ST SESSION

S. 1755

AN ACT

To amend the Act of April 6, 1949, as amended, and the Act of August 31, 1954, so as to provide that the rate of interest on certain loans made under such Acts shall not exceed 3 per centum per annum.

MAY 27, 1955
Referred to the Committee on Agriculture

14. FARM LOANS. Passed without amendment S. 1755, to provide that the rate of interest on USDA disaster loans shall not exceed 3% per annum (p. 7947). The Agriculture Committee earlier in the day reported this bill without amendment (H. Rept. 915) (p. 7954). This bill will now be sent to the President.

15. EMERGENCY LOANS. Passed without amendment S. 1582, to extend until 1957 the period for making emergency loans for agricultural purposes (p. 7947). This bill will now be sent to the President.

16. TRAVEL EXPENSE. House conferees were appointed on H. R. 6295, to provide an increased maximum per diem and mileage allowance for subsistence and travel expenses (pp. 7942-3). Senate conferees were appointed June 22.

17. APPROPRIATIONS. House conferees were appointed on H. R. 6367, Commerce and related agencies appropriation bill for 1956. Senate conferees were appointed June 16.

House conferees were appointed on H. R. 6239, the D. C. appropriation bill for 1956 (p. 7914). Senate conferees were appointed June 23.

18. ORGANIZATION. Received from the Hoover Commission a report on the Business Organization of the Department of Defense; to Armed Services Committee (H. Doc. 196) (p. 7954).

19. TRADE AGREEMENTS. The Ways and Means Committee reported with amendment H. R. 6059, to authorize the President to enter into an agreement with the Philippines to revise the 1946 trade agreement between the two countries (H. Rept. 934) (p. 7954).

20. RESERVE FORCES. The Armed Services Committee ordered reported H. R. 7000, the new Armed Forces Reserve bill (p. D623).

21. GOVERNMENT COMPETITION. The Government Operations Committee ordered reported H. R. 279, to provide for the termination of Government operations which are in competition with private enterprise (p. D623).

22. PUBLIC WORKS. Passed, 317 to 2, with amendments H. R. 6829, to authorize certain construction at military, naval, and Air Force installations, which includes a revision of the provision for financing certain military housing in foreign countries through the furnishing of surplus agricultural commodities (pp. 7921-42).

23. LEGISLATIVE PROGRAM. Rep. McCormack announced that the FCA bill will be the next order of business to be followed by the conference report on the selective service bill, the atomic energy authorization bill, the military reserve bill, the housing bill, the social security amendments, and the Mexican farm labor bill. Agreed to call the Consent Calendar on July 5. (pp. 7914-5.)

BILLS INTRODUCED

24. ATTORNEYS. S. 2326, by Sen. Eastland, to require any attorney at law practicing before a Federal court, or appearing before a congressional committee as counsel for a witness testifying before such committee, or appearing as counsel before any department or agency in the executive branch of the Government of the United States, to file a non-Communist affidavit; to Judiciary Committee (p. 7862). Remarks of author (pp. 7863-4).

25. PERSONNEL. S. 2331, by Sen. Carlson, to provide for improvement in the system of personnel administration through the establishment of a senior civil service in accordance with the recommendations of the Commission on Organization of the Executive Branch of the Government; to Post Office and Civil Service Committee (p. 7863). Remarks of author (p. 7865).

S. 2332, by Sen. Carlson, relating to the simplification of the general schedule of the Classification Act of 1949, as amended; to Post Office and Civil Service Committee (p. 7863). Remarks of author (p. 7865).

S. 2333, by Sen. Carlson, relating to the certification of eligibles under the civil-service laws; to Post Office and Civil Service Committee (p. 7863). Remarks of author (p. 7865).

S. 2334, by Sen. Carlson, providing for a simplified performance rating system for Federal employees; to Post Office and Civil Service Committee (p. 7863). Remarks of author (p. 7865).

S. 2335, by Sen. Carlson, relating to appeals by veterans under section 14 of the Veterans' Preference Act of 1944; to Post Office and Civil Service Committee (p. 7863). Remarks of author (p. 7865).

S. 2336, by Sen. Carlson, relating to reduction in personnel procedure and preference of veterans; to Post Office and Civil Service Committee (p. 7863). Remarks of author (p. 7865).

S. 2337, by Sen. Carlson, relating to the transfer of Federal employees from the classified civil service to another personnel merit system; to Post Office and Civil Service Committee (p. 7863). Remarks of author (p. 7865).

26. HOUSING, SMALL BUSINESS. S. J. Res. 85, by Sen. Fulbright, to extend for temporary periods certain housing programs, the Small Business Act of 1953, and the Defense Production Act of 1950; placed on the calendar (p. 7863). Remarks of author (p. 7862).

27. PERSONNEL; PAYROLLING. H. R. 7008, by Rep. Barrett, to amend Public Law 587 by permitting the withholding by the Federal Government from wages of employees certain taxes imposed by municipalities; to Ways and Means Committee (p. 7955).

28. LANDS. H. R. 7023, by Rep. Seely-Brown, to provide for the conveyance of certain land of the United States to the State of Connecticut; to Agriculture Committee (p. 7955).

29. SUGAR. H. R. 7030, by Rep. Cooley, "to amend and extend the Sugar Act of 1948, as amended;" to Agriculture Committee (p. 7955).

30. GOVERNMENT COMPETITION. H. R. 7032, by Rep. Hoffman, Mich., to provide for the termination of Government operations which are in competition with private enterprise; to Government Operations Committee (p. 7955).

ITEMS IN APPENDIX

31. CONSERVATION. Rep. Bailey inserted a speech by a West Virginia farmer discussing the value of soil conservation practices in the prevention of floods and conservation of water supply (p. A4640).

32. ACREAGE ALLOTMENTS. Sen. Jackson inserted a report stating that the cutback in sugar beet acreage in Washington State is depriving farmers of one of their best cash crops (pp. A4642-3).

84TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 915

REDUCTION IN INTEREST RATES ON DISASTER LOANS

JUNE 27, 1955.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. COOLEY, from the Committee on Agriculture, submitted the following

REPORT

[To accompany S. 1755]

The Committee on Agriculture, to whom was referred the bill (S. 1755), to amend the act of April 6, 1949, as amended, and the act of August 31, 1954, so as to provide that the rate of interest on certain loans made under such acts shall not exceed 3 per centum per annum, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

This matter was considered by a subcommittee at the time the increase in interest rates was announced by the Department of Agriculture. On the basis of a favorable report from the subcommittee on the matter generally, the Senate bill was acted upon by the full committee.

Following is the text of the Senate report:

The Committee on Agriculture and Forestry, to whom was referred the bill (S. 1755) to amend the act of April 6, 1949, as amended, and the act of August 31, 1954, so as to provide that the rate of interest on certain loans made under such acts shall not exceed 3 percent per annum, having considered the same, report thereon with a recommendation that it do pass without amendment.

This bill would reduce to a maximum of 3 percent the interest rate now established administratively at 5 percent on production disaster loans under section 2 (a) of the act of April 6, 1949 (12 U. S. C. 1148a–2), economic disaster loans under section 2 (b) of that act, and emergency loans under Public Law 727, 83d Congress. The interest rate on these loans was increased from 3 percent to 5 percent on January 3, in part, because of evidence that some borrowers, attracted by the low interest rate, were succeeding in obtaining these loans even though they could obtain credit elsewhere, and that consequently these loans were becoming competitive with commercial loans.

These loans were never intended to be available to borrowers who could reasonably obtain credit elsewhere. Section 2 (a) of the act of April 6, 1949, is expressly designed to take care of a "need for agricultural credit not readily available from commercial banks, cooperative lending agencies, or other responsible sources." Section 2 (b) of that act and the first section of Public Law 727 contain even more positive language. These loans should not be available for expansion, and the

county committees should exercise the utmost diligence in seeing that these loans are not made to farmers or stockmen able to obtain credit elsewhere. That may be difficult in many cases, but the fact that some ineligible borrowers may be able to obtain these loans does not warrant increasing the interest rate to the detriment of all borrowers.

The bill and the reasons for its enactment are more fully described in the attached subcommittee report.

Report of the Subcommittee on S. 1755 and S. 1764 Providing That the Rate of Interest on Emergency Loans Made by the Farmers' Home Administration Shall Not Exceed 3 Percent per Annum

The subcommittee, with the authority and at the direction of the chairman of the Committee on Agriculture, held hearings on Friday, May 6, on S. 1755 and on S. 1764, both of which provide that interest rates on emergency loans made by the Farmers' Home Administration shall not exceed 3 percent per annum. This legislation was prompted by action taken by the Department of Agriculture, effective January 3, 1955, which raised the interest rate on emergency loans made by the Farmers' Home Administration pursuant to sections 2 (a) and (b) of Public Law 38, 81st Congress, as amended by Public Law 115, 83d Congress, and on those made pursuant to Public Law 727, 83d Congress, from 3 to 5 percent per annum.

We have concluded as a result of our hearings, that the prevailing opinion is that the interest rate was increased at an inappropriate time and, also, that it is in the best interests of a sound agriculture to establish future loans for emergency purposes at a rate of interest not to exceed 3 percent per annum. The subcommittee, therefore, reports S. 1755 with the recommendation that the full committee take favorable action thereon.

It is significant that the representatives of the Department of Agriculture, Mr. Kenneth L. Scott, Director of Agricultural Credit Services, Mr. Robert B. McLeaish, Administrator, Farmers' Home Administration, Mr. Henry C. Smith, Deputy Administrator, Farmers' Home Administration, and Mr. Frank Pollard, did not oppose the legislation, even though they were of the opinion that their original reasons for increasing the interest rate were justified and still valid. To the contrary, the Department's representatives stated that they wanted guidance from the Congress and, although it might be somewhat more difficult administratively, they were prepared to go along with the provisions of S. 1755 and S. 1764.

Representatives of the major farm organizations were unanimously in favor of the legislation. Mr. John C. Lynn, legislative director, represented the American Farm Bureau Federation; Mr. Lail Schmidt appeared on behalf of the National Farmers Union; and Mr. Lloyd C. Halvorson, economist, presented the view of the National Grange.

The hearings revealed that the Department of Agriculture had considered this particular increase in interest rates for nearly 2 years and finally decided that the action should be taken on January 3, 1955, for 2 principal reasons:

First, there was evidence that the 3 percent rate had resulted in a competitive situation which was believed to be contrary to the intent of Congress, i. e., some borrowers resorted to various means to convince the county committees of the Farmers' Home Administration that they were eligible for this emergency credit. The result was that the emergency loan was becoming competitive with local banks and cooperative lending institutions from which these particular farmers should be obtaining their required credit.

Second, the Department was mindful of actions taken by the Congress in setting the rate of interest on other types of Farmers' Home Administration loans. Public Law 731 of the 79th Congress, approved on August 14, 1946, authorized the making of production and subsistence loans at a rate of 5 percent. Public Law 115 of the 83d Congress, approved July 14, 1953, authorized the making of special livestock loans as an emergency measure and established the rate of 5 percent. Therefore, the increase in rate from 3 percent to 5 percent on production and economic loans resulted in a uniform rate on all emergency-type loans as well as the regular loans for operating funds made by the Farmers' Home Administration.

The subcommittee, while appreciating the validity of these reasons as stated by the Department's representatives, is of the opinion that the interest rate on these emergency loans was increased at a time when the farmers of this country could least afford it. The rate was increased at a time when thousands of our farmers were suffering severe economic setbacks—crop losses due to the drought and other climatic conditions, high costs of farming, including high prices of fertilizer, farm stock and equipment, labor, fuel, seed, and so forth. Many of these farmers,

moreover, have experienced these adverse conditions over a period of several years. The subcommittee does not want to say that an increase in this interest rate will never be justified, but it does feel that if an increase could be justified at some other time, under some other conditions, it certainly does not seem to have been justified under the conditions existing in January of 1955.

We believe that it is the intention of Congress that emergency loans should be used to bridge emergency or disaster periods and that, when so used, the interest rate should be as favorable to the borrowers as is economically possible. To state the view negatively, the subcommittee does not believe that a farmer in distress, who must go to the Farmers' Home Administration for the specific reason that he is ineligible for a loan from a private commercial banking institution, should be forced to pay a higher rate of interest than 3 percent per annum. This view is obviously consistent with the whole rationale employed by Congress in providing for emergency type loans.

OLIN D. JOHNSTON, *Chairman.*
CLINTON P. ANDERSON.
W. KERR SCOTT.
KARL E. MUNDT.
ANDREW F. SCHOEPPEL.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the House of Representatives, changes in existing law made by the bill are shown as follows (new matter is in italics; existing law in which no change is proposed is shown in roman):

ACT OF APRIL 6, 1949, AS AMENDED

SEC. 2. (a) The Secretary is hereby authorized to make loans to farmers and stockmen for any agricultural purpose in any area or region where he finds that a production disaster has caused a need for agricultural credit not readily available from commercial banks, cooperative lending agencies, or other responsible sources. Such loans shall be made at such [rates of interest] *rate of interest, not to exceed 3 per centum per annum,* and on such general terms and conditions as the Secretary shall prescribe for such area or region.

ECONOMIC DISASTER LOANS

(b) The Secretary is authorized in connection with any major disaster determined by the President to warrant assistance by the Federal Government under Public Law 875, Eighty-first Congress (42 U. S. C. 1855), as amended, to make loans to established farmers and stockmen for any agricultural purpose in the area covered by the determination of the President, if the Secretary finds that an economic disaster has also caused a need for agricultural credit that cannot be met for a temporary period from commercial banks, cooperative lending agencies, the Farmers' Home Administration under its regular loan programs, or other responsible sources. [The] *Such* loans shall be made at such [rates of interest] *rate of interest, not to exceed 3 per centum per annum,* and on such general terms as the Secretary shall prescribe for such area.

ACT OF AUGUST 31, 1954

SEC. 2. Loans under this Act shall (1) be made only to individuals or partnerships who are actively engaged in the operation of farms or ranches; (2) not exceed $15,000 in the case of any one loan; (3) not be made to any one borrower so as to increase the total indebtedness of such borrower under this Act to an amount in excess of $20,000 (including principal and accrued interest); (4) be made at such [rates of interest] *rate of interest, not to exceed 3 per centum per annum,* and on such terms and conditions as the Secretary shall prescribe for such area or areas; and (5) be secured by the personal obligation and available security of the producer or producers.

○

Union Calendar No. 270

84TH CONGRESS
1ST SESSION

S. 1755

[Report No. 915]

IN THE HOUSE OF REPRESENTATIVES

MAY 27, 1955

Referred to the Committee on Agriculture

JUNE 27, 1955

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

---

AN ACT

To amend the Act of April 6, 1949, as amended, and the Act of August 31, 1954, so as to provide that the rate of interest on certain loans made under such Acts shall not exceed 3 per centum per annum.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (a) of section 2 of the Act of April 6, 1949, as amended (63 Stat. 43; 12 U. S. C., sec. 1148a–2 (a)), is amended by striking out the last sentence of such subsection and inserting in lieu thereof the following: "Such loans shall be made at such rate of interest, not to exceed 3 per centum per annum, and on such general terms and

conditions as the Secretary shall prescribe for such area or region.".

SEC. 2. Subsection (b) of section 2 of the Act of April 6, 1949, as amended (12 U. S. C., sec. 1148a–2 (b)), is amended by striking out the last sentence of such subsection and inserting in lieu thereof the following: "Such loans shall be made at such rate of interest, not to exceed 3 per centum per annum, and on such general terms as the Secretary shall prescribe for such area.".

SEC. 3. Clause (4) of section 2 of the Act entitled "An Act to provide emergency credit", approved August 31, 1954 (68 Stat. 999), is amended to read as follows: "be made at such rate of interest, not to exceed 3 per centum per annum, and on such terms and conditions as the Secretary shall prescribe for such area or areas; and".

Passed the Senate May 26 (legislative day, May 2), 1955.

Attest: FELTON M. JOHNSTON,

Secretary.

Union Calendar No. 270

84TH CONGRESS
1ST SESSION

S. 1755

[Report No. 915]

AN ACT

To amend the Act of April 6, 1949, as amended, and the Act of August 31, 1954, so as to provide that the rate of interest on certain loans made under such Acts shall not exceed 3 per centum per annum.

MAY 27, 1955

Referred to the Committee on Agriculture

JUNE 27, 1955

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

(c) The Commission is authorized to start the project set forth in subsection 101 (k) only if the currently estimated cost of the project does not exceed the estimated cost set forth for that project.

(d) The Commission is authorized to start a project under subsection 101 (l) only if it is in accordance with the following:

1. For community operations, the maximum currently estimated cost of any project shall be $100,000 and the maximum currently estimated cost of any building included in such project shall be $10,000.

2. For all other programs, the maximum currently estimated cost of any project shall be $500,000 and the maximum currently estimated cost of any building included in such a project shall be $100,000.

3. The total cost of all projects undertaken under subsection 101 (l) shall not exceed the estimated cost set forth in that subsection by more than 10 percent.

SEC. 103. There are hereby authorized to be appropriated funds for advance planning, construction design, and architectural services, in connection with projects which are not otherwise authorized by law, and the Atomic Energy Commission is authorized to use funds currently or otherwise available to it for such purposes.

SEC. 104. There are hereby authorized to be appropriated funds necessary to restore or to replace plants or facilities destroyed or otherwise seriously damaged, and the Atomic Energy Commission is authorized to use funds currently or otherwise available to it for such purposes.

SEC. 105. In addition to the sums authorized to be appropriated to the Atomic Energy Commission by section 101 of this act, there are hereby authorized to be appropriated to the Atomic Energy Commission to accomplish the purposes of this act such sums of money as may be currently available to the Atomic Energy Commission.

SEC. 106. Funds authorized to be appropriated or otherwise made available by this act may be used to start any other new project for which an estimate was not included in this act if it be a substitute for a project authorized in subsections 101 (a), 101 (d), or 101 (f), and the estimated cost thereof is within the limit of cost of the project for which substitution is to be made, and the Commission certifies that—

(a) the new project is essential to the common defense and security; and

(b) the new project is required by changes in weapon characteristics or weapon logistic operations;

(c) it is unable to enter into a contract with any person, including a licensee, on terms satisfactory to the Commission to furnish from a privately owned plant or facility the product or services to be provided in the new project.

Mr. DURHAM (interrupting the reading). Mr. Chairman, I ask unanimous consent that the bill may be considered as read and be open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The CHAIRMAN. Are there amendments? [After a pause.] There being no amendments, under the rule the Committee rises.

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. MCCARTHY, Chairman of the Committee of the Whole House on the State of the Union, reported that that committee having had under consideration the bill (H. R. 6795) to authorize appropriations for the Atomic Energy Commission for acquisition or condemnation of real property or any facilities, or for plant or facility acquisition, construction, or expansion, and for other purposes, pursuant to House Resolution 283, he reported the same back to the House.

The SPEAKER. Under the rule, the previous question is ordered.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

The bill was passed, and a motion to reconsider was laid on the table.

INTEREST RATE ON CERTAIN LOANS

Mr. POAGE. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 1755) to amend the act of April 6, 1949, as amended, and the act of August 31, 1954, so as to provide that the rate of interest on certain loans made under such acts shall not exceed 3 percent per annum.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

Mr. MARTIN. Mr. Speaker, reserving the right to object, I understand that this legislation that takes away from the Department of Agriculture the power to fix interest rates and sets the rate at 3 percent.

Mr. POAGE. It fixes the rate of at 3 percent. It now is discretionary with the Department, and some of these loans are being made at 5 percent, others are, I believe, at 3 percent. This bill fixes the rate of 3 percent.

Mr. MARTIN. This is disaster loans?

Mr. POAGE. It covers two different types of disaster loans; I believe this gets all disaster loans on a 3 percent basis, although there will still be some of what might be called commercial loans on which the Secretary can charge 5 percent. These are all disaster loans, but there are two different types of disaster loans. There is the loan that covers your country in New England, there is the loan that covers the disaster on account of the dought in the western part of the country, but they are not under the same law. This covers both of them.

Mr. MARTIN. This is by unanimous vote of the committee?

Mr. POAGE. No; there was one vote against it.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That subsection (a) of section 2 of the act of April 6, 1949, as amended (63 Stat. 43; 12 U. S. C., sec. 1148a–2 (a)), is amended by striking out the last sentence of such subsection and inserting in lieu thereof the following: "Such loans shall be made at such rate of interest, not to exceed 3 percent per annum, and on such general terms and conditions as the Secretary shall prescribe for such area or region.".

SEC. 2. Subsection (b) of section 2 of the act of April 6, 1949, as amended (12 U. S. C., sec. 1148a–2 (b)), is amended by striking out the last sentence of such subsection and inserting in lieu thereof the following: "Such loans shall be made at such rate of interest, not to exceed 3 percent per annum, and on such general terms as the Secretary shall prescribe for such area.".

SEC. 3. Clause (4) of section 2 of the act entitled "An act to provide emergency credit", approved August 31, 1954 (68 Stat. 999), is amended to read as follows: "be made at such rate of interest, not to exceed 3 percent per annum, and on such terms and conditions as the Secretary shall prescribe for such area or areas; and".

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

EMERGENCY LOANS FOR AGRICULTURAL PURPOSES

Mr. POAGE. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 1582) to amend Public Law 727, 83d Congress, so as to extend the period for the making of emergency loans for agricultural purposes.

The Clerk read the title of the Senate bill.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

Mr. MARTIN. Mr. Speaker, reserving the right to object, this is the legislation that our colleague from Maine [Mr. MCINTIRE] was interested in?

Mr. POAGE. The Senate bill is identical with the McIntire bill and relates to the New England disaster.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There being no objection, the Clerk read the Senate bill, as follows:

Be it enacted, etc., That the first sentence of the act entitled "An act to provide emergency credit", approved August 31, 1954 (Public Law 727, 83d Cong.), is amended by striking out "1955" and inserting in lieu thereof "1957."

The bill was ordered to be read a third time, was read the third time, and passed.

A similar House bill (H. R. 5822) was laid on the table.

A motion to reconsider was laid on the table.

HARMFUL TARIFF POLICY

(Mr. PHILBIN asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. PHILBIN. Mr. Speaker, I was greatly surprised to learn recently that our Government has made further concessions to the Japanese regarding entry to this country of certain textile cotton fabrics widely utilized by the American people. I was under the impression, from reading preliminary reports concerning these concessions, that they involved no greater than 40 percent decrease in current rates. That would be extremely unfavorable to the textile industry, to be sure. But it has come to my notice since that time, upon further analysis of the question, that the American Cotton Institute, Inc., estimates that in a textile market already entered freely by the Japanese, existing tariff rates have been slashed as much as 50 percent.

Now I think I have made it perfectly clear in my previous statements that I

favor a sensible and forward-looking approach to the question of reciprocal trade. I am not opposed to the principle of reciprocal trade. I think it has decided merit and advantages. If properly implemented, it could be helpful in strengthening our foreign relations and in promoting national and world trade. But I am of the opinion that in many of the negotiations our Nation has made concessions to foreign countries far beyond the scope intended by Congress and certainly some of which have been exceedingly detrimental and damaging to many American industries.

I recognize that by all means we should move in ways, consistent with our own self-interest and the welfare of our industry and people, to assist the Japanese to rebuild and, where necessary, to reshape their economy within the orbit of the free world. But I submit that the present agreements are very harmful to our own textile industry and to other industries and will inevitably bring added deflationary forces into play in this country and result in additional unemployment in areas already beset by very serious unemployment.

I am informed that the new agreements are giving the Japanese a guaranty of excess profits on 75 to 85 percent of cotton fabrics worn by the American people and are in effect a guaranty of excess profits on each yard of cloth, a figure which is larger than the profit per yard being earned by American mills. This is so, I am informed, because Japanese goods are being sold here in quantity in competition with American-made goods.

I have scrutinized detailed documentation to bear out the above contentions, but it is too voluminous to insert in the RECORD. Apparently the cuts affect print cloth woven of medium weight yarn, which constitutes the larger parts of American cotton production.

On unbleached cotton cloth from Japan, for example, the ad valorem in these ranges is reduced about 27 percent. The Japanese agreement also reduces the minimum specific duties by 25 percent, despite a special differential to provide a measure of protection on bleached, printed, dyed, or colored cotton cloth woven of medium weight yarns, adopted in 1936 and maintained for the past 19 years.

Under the present agreement, the 1936 rate differential has been abolished, together with the preexisting value differential. The Geneva agreement slashed these tariff rates by about 48 percent. It is very interesting to note the changed relationship the new rates impose on profits from Japanese and American goods sold in our own markets. On one of the basic fabrics the tariff cut is twice as large as the United States mills' profit on the cloth. It should be pointed out also that Japanese mills use twice as much foreign-grown cotton as American cotton.

Another major fact is that imports of cotton cloth have been rising rapidly even under the old higher tariff rates. For instance, in the first quarter of 1955 these imports were double those for the first quarter of 1954 and the Japanese imports represent two-thirds of the total. It can readily be seen, therefore, that under the new tariff rates in this basic category, which has sustained a 48-percent cut in the rates, there will automatically be a further increase in the already rapidly expanding imports of printed, dyed, and colored cotton cloth from Japan.

Of greatest concern to my district and to me is the fact that the agreements did not stop with cotton cloth. They have unreasonably imposed very substantial cuts on other cotton textile items such as towels and rugs. One major type of towel was cut from a rate of 40 percent to 20 percent; cotton sheets and pillowcases, from 20 percent to 12½ percent, cotton chenille rugs also from 40 percent to 20 percent.

I would be less than frank if I did not express my sense of shock, distress, and strong disapproval concerning these incredible slashes in existing protective rates in these categories in the textile industry. I think that this particular agreement is a good sample of the unscientific, discriminatory operation of the trade treaties. It is obvious to me that in the process of establishing these rates far more consideration was given to setting up a formula by which Japan would be assured of very profitable trading with this country than to the most important question of maintaining the health and prosperity of a great American industry, which in my region alone employs over 200,000 people in periods of prosperity.

The bizarre economic theory that lies behind this agreement challenges every canon of common sense and every dictate of the true interests of a great American industry. Unquestionably, the results will inflict serious damage upon this industry, which for one reason or another, is already having its troubles. If such a rule is applied, across the board, as well may be the case, to other industries, the overall results could very understandably be, not only damaging, but disastrous, to many parts of the American economy. With all sincerity and vehemence, I protest against this policy of economic folly and stagnation.

I hope that measures may be taken at an early date to forestall the damaging effects that are bound to ensue if the current agreements are fully implemented.

In include herein as part of my remarks an interesting, forceful article entitled "In a Textile Market Already Entered Freely by the Japanese, Existing Tariff Rates Have Been Slashed as Much as 50 Percent," prepared by the American Cotton Manufacturers Institute, Inc.:

IN A TEXTILE MARKET ALREADY ENTERED FREELY BY THE JAPANESE, EXISTING TARIFF RATES HAVE BEEN SLASHED AS MUCH AS 50 PERCENT

The bellwether fabric of the textile industry is a print cloth 39 inches wide, 4 yards to the pound of cotton, with 80 threads to the inch in both directions (80 square).

Eighty-square print cloth is the single, most important fabric in the industry.

This construction alone, out of the industry's entire range of products, accounts for 750 million yards of annual production.

The reduction of duty on 80 square amounts to 3.3 cents per pound or eight-tenths of a cent per yard.

Eighty-square (grey goods) has been selling in New York for 18¾ cents per yard.

The average profit on sales after taxes earned by United States grey goods mills in 1954 was about 2 percent.

The United States mill's profit on this cloth in the grey is currently about four-tenths of a cent per yard on the average.

Therefore the tariff cut is twice as large as the United States mill's profit on the cloth.

This tariff cut is comparable to 3.3 cents per pound import subsidy on raw cotton.

(The above example is taken from the grey cloth classification where the minimum tariff cut occurred. The same cloth, when bleached, dyed, or printed, is given a 48 percent tariff reduction, the equivalent of 1½ cents per yard.)

TEXTILE TARIFF CUTS AT GENEVA

At Geneva this spring the United States Government agreed to cut sharply its tariff on cotton textiles imported from Japan.

Previously, practically all cotton cloth imports have paid different rates of tariff depending upon whether they were valued above or below certain prices. This value differential was a recognition that the United States textile industry was entitled to more protection against the Japanese industry with its low oriental wage-price scales than as against the industry of Western Europe. For unbleached (grey) cotton cloth the value brackets were above and below 70 cents per pound for most types of cloth. This differential implied nothing so far as quality of product is concerned. Identical cloth imported from Britain and Japan might pay different rates of duty because British prices were above 70 cents and Japanese below. There were similar value divisions in the tariff schedules for bleached cotton cloth and for printed, dyed, or colored cotton cloth.

At Geneva these value differentials were abolished. The lower rates were made applicable to all imports of the same cloth regardless of value.

The major part of the American cotton cloth production is woven of medium weight yarns. Here, too, is concentrated the greatest Japanese import competition potential. On unbleached cotton cloth from Japan the ad valorem tariff in these ranges is reduced about 27 percent. The tariff schedule for unbleached cotton cloth provides a minimum specific duty of so many cents per pound of cloth imported which must be paid whenever the tariff calculated as a percent of value would result in a smaller payment. The Geneva agreement reduces these minimum specific duties by 25 percent.

On June 20, 1936, President Franklin D. Roosevelt, on the advice of Secretary of State Cordell Hull, the father of the reciprocal trade program, proclaimed sharp increases in the lower bracket tariff rates on bleached, printed, dyed, or colored cotton cloths woven of medium weight yarns. This was done to give the domestic industry needed protection against the emerging Japanese threat. The Japanese import competition, then as now, was potentially the greatest in these ranges, and in bleached, finished, dyed, or colored cloths, for the additional processing involved in those operations multiplies the Japanese 10 to 1 labor cost advantage. This special differential has been maintained for 19 years.

Now, just as the Japanese threat to the American cotton textile industry is once again becoming a serious matter, the State Department has abolished the 1936 rate differential and in addition abolished the preexisting value differential. Here the Geneva agreement cuts the tariff rates by about 48 percent.

Public Law 132 - 84th Congress
Chapter 278 - 1st Session
S. 1755

AN ACT

All 69 Stat. 263.

To amend the Act of April 6, 1949, as amended, and the Act of August 31, 1954, so as to provide that the rate of interest on certain loans made under such Acts shall not exceed 3 per centum per annum.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (a) of section 2 of the Act of April 6, 1949, as amended (63 Stat. 43; 12 U. S. C., sec. 1148a–2 (a)), is amended by striking out the last sentence of such subsection and inserting in lieu thereof the following: "Such loans shall be made at such rate of interest, not to exceed 3 per centum per annum, and on such general terms and conditions as the Secretary shall prescribe for such area or region.". Agriculture. Disaster loans, interest.

SEC. 2. Subsection (b) of section 2 of the Act of April 6, 1949, as amended (12 U. S. C., sec. 1148a–2 (b)), is amended by striking out the last sentence of such subsection and inserting in lieu thereof the following: "Such loans shall be made at such rate of interest, not to exceed 3 per centum per annum, and on such general terms as the Secretary shall prescribe for such area.".

SEC. 3. Clause (4) of section 2 of the Act entitled "An Act to provide emergency credit", approved August 31, 1954 (68 Stat. 999), is amended to read as follows: "be made at such rate of interest, not to exceed 3 per centum per annum, and on such terms and conditions as the Secretary shall prescribe for such area or areas; and". Emergency loans. 12 USC 1141a-1 note.

Approved July 7, 1955.

GPO 55139

3540E

U.S.D.A.
SEA/TIS
LAW LIBRARY
ROOM 1406 SOUTH
WASHINGTON D.C. 20250